The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance — February 28, 1958 — 62nd Year, No. 9

General Agency System, In Decline For A Time, Reviving

By KENNETH O. FORCE

The accompanying article by Howard J. Burridge calls attention to the difficulties the general agents have had in recent times, and this is an accurate portrayal of the situation.

However, in recent months, as the medium sized and smaller insurers, along with other insurers, have lost substantial amounts of surplus due to underwriting losses and the shrinkage in security values, there has been some reassessment of the value and uses of the managing general agency system. Among executives of this type of insurer there are those who are coming to the view that the well operated general agency can offer the company real and perhaps vital assistance.

At least a few of the companies that a year, two years, or three years ago thought the time had come to put their own field staffs into territories formerly served for them by general agencies, are returning to the appointment of general agents. This cannot be described as a wholesale movement, but it is a definite trend and circumstances are apt to increase it in the days ahead.

Agency Mortality Rate High

For the road of the smaller companies in the last three years has been a rocky one, and it is not getting much easier. Lost surplus means less premium capacity against which to charge field expense, particularly in areas where such insurers have a relatively small volume. In addition to this, however, many of these insurers sought to go multiple line. They put up additional money, hired more executives and staff, and thus took on substantially increased expenses.

By HOWARD J. BURRIDGE

During the past two or three years, the mortality among fire and casualty general agencies has been surprisingly high. Several old and long established general agencies, as well as a number of younger ones, have ceased to exist as such within this period. At no other time that can be recalled have so many fire and casualty general agencies given up the ghost within an equal number of years.

Explanation Difficult

This is something that is very much easier to record than it is to explain. Those who have been asked for their views on the passing of one general agency after another could offer no reasons that have seemed convincing, or applicable to many of the individual cases. Several have remarked that the expenses of operating a general agency have increased considerably, but for the most part they are expenses of the same type that are incurred by companies themselves, and with companies have increased in the same proportion as with general agencies. Companies, however, are able to absorb increased costs better than general agencies.

It has often been the case that a general agency was established by a prominent field man who was popular personally, and had a good following in the state in which he traveled. A number of such men have been able to build a business for themselves through operating a general agency that has been more profitable to them than if they had remained field men. In a number of instances, though, the general agency has ceased to prosper on the same basis after the death of its founder. This is similar to the situation with the independent adjuster, who is provided, through the force of his popularity and his ability to make and hold friends, with a good living during his lifetime, but it is not sometimes so profitable for those who continue to operate the business after he has gone.

It has been remarked that most of the general agencies that have gone out of business have been absorbed by companies. They have not been sold to other general agencies or individuals. The purchase of the Cobb & Stebbins general agency at Denver by the St. Paul Fire & Marine is an outstanding instance of this.

In the earlier days, companies were sometimes disposed to go on a general agency basis in a thinly populated state in which they could not afford to have a full time field man. With the great growth in population that has taken place, many such states, particularly in the southwest and Rocky Mountain field, have had such an increase in population that it is now possible for companies to pull away from general agencies and operate through a field man on a direct basis.

Population Increase A Factor

This has happened in a number of cases, and may have had the effect of weakening some general agencies through a lack of sufficient company representation. Usually a general agency represents several companies in its territory, and if its representation gets down to only one or two companies it is not in the same favorable operating position as before.

The original conception of a general agency was that it could handle a state or a territory for a group of representative companies that could not otherwise afford to operate directly because of an insufficient premium income in a sparsely settled territory. In many such areas the country has grown up, so to speak, and the increase in population may be the factor that has resulted more than anything else in the demise of so many general agencies in recent years.

Spread Theory Fails

One of the chief theories of multiple line, that one line would be good if another was bad, failed to materialize. Losses rose like a flood tide all over the place, and many insurers are pretty disillusioned about multiple line. It is apparent that success in multiple line operation is going to take a lot more money, a lot more time, and a lot more talent than many supposed.

Under these circumstances, multiple line or not, where are insurers with \$25 million or less in premiums (some say \$50 million or less) to get their growth, at a current price they can afford? Why not through the well operated, well managed general agency? Such a general agency already has

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Mich. Agents Stage Lively Midyear Rally At Detroit

Compulsory Auto Backer Admits He Is Beaten This Year; Credits Hildebrand

By JOHN BURRIDGE

DETROIT—Michigan Assn. of Insurance Agents, just about the only member of NAIA still holding two successful conventions a year, conducted its midyear meeting here last week with a good turn-out, an excellent program, and with a spirit indicating that this group of agents is ready to battle

Russell Worgess

W. O. Hildebrand

it out with the competition and make realistic appraisal of the forces of economics.

One of the signs of bright prospects for the agency system in Michigan is the large number of young agents belonging to the association who were on hand at Detroit. Michigan may not be the first state in the number of young and second generation agents, but it

(CONTINUED ON PAGE 32)

O'Mahoney Promises Objective Study Of Insurance Business

WASHINGTON—Sen. O'Mahoney has written Commissioner McConnell of California, "Please be assured that this subcommittee (anti-trust and monopoly) intends to make a thoroughly objective study of major problems in this (the insurance) industry, which so vitally affect the entire nation."

Sen O'Mahoney, who is chairman of the Senate anti-trust committee that has launched a major inquiry into insurance, said in his letter to Mr. McConnell that he has asked Donald P. McHugh, co-counsel to the committee, to get in touch with the California commissioner and arrange to get from him the information he recently offered in a letter to Sen. O'Mahoney.

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Willard E. Last has been promoted to manager of the **Fred J. Stringham** general agency of Lansing, and Frank A. Walker, fomerly area sales manager of Michigan Farm Bureau, has been named educational and promotional director of the agency.

Late News Bulletins . . .

NAIA Gives Position On Commission Cuts

National Assn. of Insurance Agents has prepared and sent to all state associations a statement of its position on commission reductions. The statement, signed by George S. Hanson, general counsel and executive secretary, declares that:

Commissions are a matter of private contract subject to negotiation by each individual agent with the companies he represents.

NAIA opposes unilateral reduction of commissions.

Changes in agency contracts or compensation should be made only after consultation between agents and companies.

Mr. Hanson adds that "practically and legally two parties are necessary to make any contract or amend it. Unless the agent agrees, expressly or impliedly, to a change in his contract with a company, then no change has occurred by unilateral action of the company."

This is described as NAIA's basic and historical position. The subject will be discussed at the Miami Beach meeting of state national directors April 24-26.

Va. House Passes UM Coverage Bill

The Virginia house has passed and sent to the senate legislation which would make uninsured motorist coverage a part of the auto liability policy. The legislation also would assess the uninsured motorist \$20 at the time he buys his auto plates and distribute the money to insurers in proportion to their Virginia auto liability writings, so they can afford to provide the UM cover for free.

HIA Forum Hears How Labor Views Voluntary System

Labor, long partisan toward health insurance through legislation, has awarded voluntary health insurance a de facto recognition, Jerome Pollack, social security program consultant of United Auto Workers AFL-CIO, said in explaining labor's viewpoint at the group forum of Health Insurance Assn. last week at Chicago.

Mr. Pollack tempered his praise for the voluntary system with the challenge that "the agenda of health insurance starts with its unfinished business," and he indicated that there was much unfinished business to be done in the eyes of labor. He described group A&S as being in a period of transition and he predicted that within five to 10 years health insurance will double in volume and will probably cover two-thirds of all medical costs.

Shortcomings of present plans which labor feels must be met, he said, are that less than one-third of the nation's total health bill is paid for under current programs, the older citizens are not sharing the benefits, and health insurance is tied to employment and the worker can be left without if he is laid off.

A serious problem is the "unrelenting increases" in costs of hospital prepayment plans, he declared. These runaway costs threaten to keep people from getting proper medical care. He attributed these costs largely to faulty use of hospitals, abuse by subscribers and lack of incentives for economy. A study in Boston, he said, revealed that two-thirds of the patients being

(CONTINUED ON PAGE 19)

Auto BI Belts 1957 Casualty Results Of Travelers Group

Fire and marine lines improved for the Travelers group in 1957, but underwriting gains were less favorable for A&S, and the casualty lines were very unprofitable due for the most part to an alarming increase in automobile bodily injury losses, President J. Doyle DeWitt stated in his annual report.

Travelers Indemnity had an underwriting loss of $1,791,000, due to a higher over-all loss ratio and also to the substantial increase of $25,407,000 in the unearned premium reserve. This reflected a large increase in premiums written, which in the automobile lines alone was 16.1% and brought the total to $227,494,000 for this line.

Although there was a small profit on auto PDL, the auto PHD was unprofitable, and the BI was quite bad, according to the report.

In addition to a steady increase in auto accidents and the cost of them since World War II, due to the rise in number of automobiles on the highways and the effect of inflation on monetary values, "there also appears to be a deterioration of safety consciousness of a sizable percentage of the driving public," the report notes.

This increase in the number and cost of automobile accidents accelerated during 1956, and in 1957 reached alarming proportions, particularly for those cases involving BI. In 1956, the number of BI accidents per automobile insured by Travelers increased 8.9% over the previous year. In 1957 there was a further increase of 11.7% and in the past 10 years the increase was

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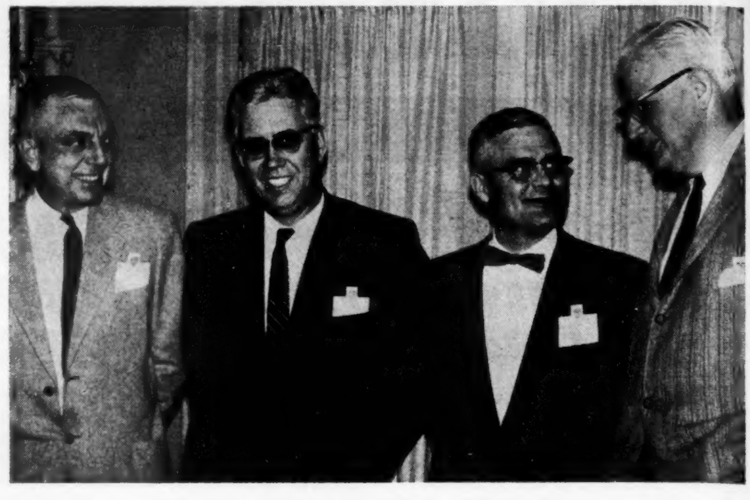

Shown here from the left are key figures in the successful West Virginia I-Day at Beckley: J. Norvell Trice of Richmond, education chairman of National Assn. of Insurance Agents; Rosser Long of Fayetteville, president West Virginia association, which sponsored the affair with the Beckley association; James P. Walker of Augusta, Ga., chairman Southern Agents Conference, and C. T. McHenry, secretary of the West Virginia group.

More than 200 agents and field men attended despite inclement weather. Mr. Walker discussed the NAIA advertising program and urged more participation by agents.

Harry F. Perlet, general manager of Multi-Peril Insurance Conference, discussed the operations of MPIC and emphasized that a policy combining features of the homeowners and comprehensive dwelling policy is coming. Mr. Trice discussed the educational program of NAIA.

At the luncheon, former Commissioner Harold E. Neely introduced the newly appointed commissioner, Judson Pearson.

Messrs. Trice, Perlet and Pearson were inducted into the mock insurance organization, West Virginia Ridge Runners, at appropriate ceremonies.

The afternoon was devoted to a panel discussion with all program speakers appearing as panelists. William L. Pyle, Charleston manager of U.S.F.&G., and R. Bell Jr., of Charleston, national state director were moderators.

How Assigned Risk Plan Works Under Auto Compulsory Shown In Mass. Report For 1957

The annual report of Massachusetts Motor Vehicle Assigned Risk Plan by L. W. Scammon, manager, contains some interesting figures and comments on the operation of the plan under compulsory auto.

In 1957 the plan had $3,711,833 in premiums, divided 66% compulsory, 7% other BI, and 27% PDL. Service fees of $215,711 paid producers in 1957 were divided 52% compulsory, 11% other BI, and 37% PDL.

Mr. Scammon notes that this plan does not function on a mail assignment basis as other assigned risk plans do. The great bulk of assignments here are made directly to the public or to a producer appearing in person. Under the compulsory law, insurance of the motor vehicle is required from the time of purchase, hence there is constant pressure for individuals, producers, automobile dealers and others to reduce to zero the interval of waiting for assignment handling. While the making of assignments by mail is encouraged and expeditious handling is guaranteed, few applicants are willing to wait the two or three days necessary to mail in the assignment papers and get a reply. As a practical matter the tie-in between plan and compulsory requirements dictates immediate assignment service and this it is the constant purpose of the plan to give.

To grant immediate coverage the plan must exercise certification authority for each of the 118 company members, so 22 persons hold stamping authorities of the companies, to eliminate delays in certification even on peak days or during vacation periods.

The year-end renewal problem under compulsory, Mr. Scammon observes, is the biggest single hurdle of the year. With market conditions indicating no unusual problems in the weeks immediately preceding Jan. 1, 1957, the business felt there was no need for a freeze agreement. The penalty provisions within the plan itself were considered to be holding the common renewal problem within bounds. This worked out satisfactorily, Mr. Scammon reports.

Assignments Rise In Spring

The heavy period of the first of the year is followed by a winter lull, but coincident with auto sales efforts in late February and the advent of spring weather, there is a sharp rise in assignments which continues at a uniformly heavy pace until after Labor Day, reaching a high point with the closing of schools for the summer and the July 4th weekend.

In the latter weeks of 1957 the business was confronted with the problem of the withdrawal from Massachusetts of National Fire and its subsidiary, Transcontinental. Earlier in the year, these two companies had requested they receive no further assignments after April 30, as they intended to cease writing Massachusetts automobile insurance at that time. The plan pointed out there appeared to be no legal basis for discontinuing assignments until the company actually abandoned the license to write such business. Therefore, the two companies continued as members of the plan and received their normal share of assignments through last Dec. 31, when plan membership ceased on the termination of their licenses to write this class of business.

The two companies had approximately 11,000 risks insured in 1957 and notices of intent not to renew in this number were issued for 1958. This resulted in an amendment in the plan rules which eliminated the granting of credit to companies for the voluntary acceptance of risks to which either notices of intent not to renew or refusal to renew had been issued by another authorized insurer for the ensuing year. Extreme inequities would have resulted where large volumes of good business could be written and submitted for credit. The credit provisions of the plan were not designed to recognize business of this type within agencies, Mr. Scammon commented.

Of the 11,000 risks insured by the two companies in 1957, only about 600 found their way to the plan for 1958. The remainder obtained insurance through normal channels.

However, there has been, with respect to 1958 business, a tightening of the market. As a result, there have been many days when assignments

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Pond To Casualty Post At American Surety

Sheldon S. Pond has been named manager of the casualty department of American Surety. He joined the company in 1937. While at Minneapolis and Detroit his assignments included underwriting and field work, superintendent of casualty and assignment manager. At Detroit, Mr. Pond was an instructor in the casualty and surety institute held quarterly at Michigan State College. He went to the home office in 1953, and recently was an agency supervisor in the agency and production department.

Howard S. Tull, chief supervising underwriter becomes assistant manager of the department.

Upholds WC For Injuries Suffered In Bath Tub

The appeals court, New York's highest tribunal, has sustained an appellate division decision awarding Frank Miller, a Kingston, N. Y., tree expert, compensation for the injuries he suffered when he fell while taking a bath prior to attending an evening session of a conference called by his employer in Stamford, Conn. The court ruled that the bath was not a "personal act" under the law and was taken while on company time in the course of employment. Mr. Smith won his claim on appeal from a state workmen's compensation board decision which rejected it.

Northwest CPCUs Elect

Pacific Northwest chapter of CPCU at Seattle has elected Minthorne M. Tompkins, president; John P. Standford, vice-president; Spencer M. Pitts, secretary, and Roland C. Williams, treasurer.

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Annual Statements

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President

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The Home Insurance Company

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Banker

HAROLD V. SMITH
Chairman of the Board

ROBERT W. DOWLING
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GEORGE GUND
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Babson's Reports, Inc.

ROBERT G. GOELET
Real Estate

WALTER F. PEASE
Shearman & Sterling & Wright

Balance sheet of
THE HOME INSURANCE COMPANY · DECEMBER 31, 1957

ADMITTED ASSETS	
United States Government Bonds	$ 57,938,486.35
Housing Authority Bonds (1949 Act)	25,887,447.84
Other Bonds	89,351,018.80
Preferred and Common Stocks	197,644,275.76
Cash in Office, Banks & Trust Companies	22,244,243.47
Investment in The Home Indemnity Company	15,013,842.00
Real Estate	6,661,142.92
Agents' Balances or Uncollected Premiums less than 90 days due	27,640,445.25
Other Admitted Assets	8,393,290.79
Total Admitted Assets	$450,774,193.18

LIABILITIES	
Reserve for Unearned Premiums	$188,172,710.00
Reserve for Losses and Loss Expenses	39,355,995.00
Reserve for Taxes Payable	4,525,000.00
Reserve for Reinsurance	2,426,401.81
Dividends Declared	2,000,000.00
Other Liabilities	3,922,416.36
Total Liabilities	$240,402,523.17
Capital Stock	20,000,000.00
Surplus	190,371,670.01
Surplus As Regards Policyholders	$210,371,670.01
Total	$450,774,193.18

Bonds carried at $6,489,785.23 amortized value and cash $95,500.00 in the above balance sheet are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. Based on these values the stocks of The Home Insurance Company exceed the book value by $92,890,360.66

Balance sheet of
THE HOME INDEMNITY COMPANY · DECEMBER 31, 1957

ADMITTED ASSETS	
United States Government Bonds	$20,317,121.15
Housing Authority Bonds (1949 Act)	5,829,627.80
Other Bonds	19,120,899.29
Preferred and Common Stocks	11,643,391.88
Cash in Office, Banks & Trust Companies	2,599,508.80
Agents' Balances or Uncollected Premiums less than 90 days due	7,677,982.25
Other Admitted Assets	1,897,965.78
Total Admitted Assets	$69,086,496.95

LIABILITIES	
Reserve for Unearned Premiums	$22,215,889.00
Reserve for Losses and Loss Expenses	29,482,654.00
Reserve for Taxes Payable	1,028,000.00
Reserve for Reinsurance	124,757.80
Other Liabilities	1,221,269.05
Total Liabilities	$54,072,569.85
Capital Stock	1,500,000.00
Surplus	13,513,927.10
Surplus as Regards Policyholders	$15,013,927.10
Total	$69,086,496.95

Bonds carried at $1,124,000.00 amortized value in the above balance sheet are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. Based on these values the stocks of The Home Indemnity Company exceed the book value by $4,196,260.76

THE HOME *Insurance Company* NEW YORK
Property Protection since 1853

and THE HOME INDEMNITY COMPANY

Urges Local Agency Tie-In Advertising With NAIA Program

William J. Traynor, assistant secretary and advertising director of North British, in a talk to Westchester County Assn. of Insurance Agents in White Plains, favorably evaluated NAIA's national advertising program and recommended that agents support it. The program starts March 27.

William J. Traynor

Mr. Traynor urged agents to tie in local advertising efforts with NAIA's institutional campaign and with the company sales production advertising, "to fashion a two-pronged production sword for best results at the local level."

The primary tie-in will most certainly be with the NAIA advertising "so as to identify yourself with it locally to customers and prospects and so obtain the most benefit from your association's big campaign," he said.

"In line with your own experience and budget limitations, you will use newspaper and/or direct mail media, for example, to do the job—but only after first consulting with your company advertising men. They have the over-all experience and knowledge which will be most helpful in guiding your decisions as to program, media and schedule."

Survey Shows Confusion

A recent survey among producers shows there is confusion as to what advertising media to use and how, Mr. Traynor commented. The most popular media are newspapers, direct-mail and novelties, with newspapers first. Opinions as to the most productive media, however, varied from agency to agency and from territory to territory.

"One obvious fact that did emerge was that there is a need for professional advertising counsel at the local agency level," Mr. Traynor declared.

For years Mr. Traynor has preached to agents the practical wisdom of consulting their company advertising managers—for free. Agents will find them cooperative to the nth degree—"and besides, they have no axe to grind when advising you what's best for you. Most important, they are experts in their field and have the experience gained from wide contacts with other agents.

"If newspaper advertising is out of your reach because of high local rates, you can always turn to direct-mail letters plus supporting literature, of which most companies furnish a wealth," Mr. Traynor observed. "Such company-supplied advertising, usually without charge, will augment your program and make it effective from the production angle in selling specific coverages which insured need.

"Your companies will also provide newspaper mats, folders, brochures, etc., all in addition to the best of advice. Through a dual program of that kind you will get the most good from the NAIA institutional campaign to sell you as an independent local agent

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Contract Acceptance Doesn't Make Completed Operations Exclusion Of Policy Effective

In Kendrick vs Mason, Louisiana supreme court upheld the lower court's verdict in favor of a property owner against a contractor and its insurer to recover for substantial property damage to his home as a result of an explosion of natural gas. This was after the city had accepted the contractor's work. The case is reported in 9CCH (Fire & Casualty) 449.

Kendrick sought to recover $40,000, of which $20,000 was for loss of residence by explosion and fire, $15,000 for contents and $5,000 for extra expenses.

In September, 1953, the town of Jena contracted with C. N. Mason for the installation of a sewerage collection system in the municipality. U.S.F.&G. issued a $15,000 liability policy, though Mason under his contract with the city was obligated to maintain liability coverage of $25,000.

In December, 1954, the sewerage collection system was accepted by the municipality as complete. As Mason and his employes dug trenches and laid the sewer line, the natural gas lines which previously had been installed in the town were cut or punctured in various places. Mason made no effort to repair these cut and damaged gas lines, and natural gas was permitted to escape from them unchecked.

House Exploded, Burned

While a plumber was attempting to repair a gas leak in the Kendrick residence, the house exploded and burned to the ground. The plumber was injured and also sued Mason.

Mason's defense was that the town had accepted the work and therefore was liable; or, in the alternative, the liability, if any, rested with U.S.F.&G. under its comprehensive general liability policy. Mason also alleged contributory negligence against the plumber.

U.S.F.&G. denied liability because the contract did not cover complete operations. In the alternative, the insurer pleaded contributory negligence by Kendrick due to his failure to notify the town officials of escaping natural gas, of which he was aware a week or 10 days prior to the explosion.

Judgment For Kendrick

Judgment was rendered for Kendrick against Mason and the insurer for $29,500 with $4,500 and $2,500 going to Pacific National Fire and St. Paul F.&M. for their subrogation rights since they had paid Kendrick on fire policies covering the destroyed property. The judgment against U.S.F.&G. was limited to $15,000, the base amount of the liability policy, and the remainder of the award was assessed against Mason. The judgment also absolved the town.

A rule, the court said, that absolves an independent contractor from liabilities for injuries to a third person occurring after the contractor has completed the work and delivered it to the owner or employer and it has been accepted, is subject to recognized limitations which continue the liability of the contractor even after parting with control over the work. For instance, this would be so when the finished work or product is a nuisance, or where it is delivered by the contractor in a manner so negligently defective as to be imminently and inherently dangerous to third persons.

Under the circumstances, Mason was charged with the duty to exercise every care and caution to prevent unrestricted escape of an inherently dangerous substance. When he severed the gas mains and service lines and concealed this fact by refilling the sewer trenches, without first repairing and constructing the damage to gas lines, the act constituted gross negligence, the court ruled.

The court spent considerable time analyzing the exclusions in the liability policy pertaining to products and completed operations. The court stated that the policy contract does not say that exclusions pertained to or referred to contractors who have no products for sale but who have performed a contract for the installation of a public utility.

"By no means of interpretation known to us can it be positively asserted that the exclusions in the policy and the endorsements attached thereto referred to contractors, and we deem it the fundamental duty of the insurer to express clearly the limitations of its obligations."

Not Stated With Clearness

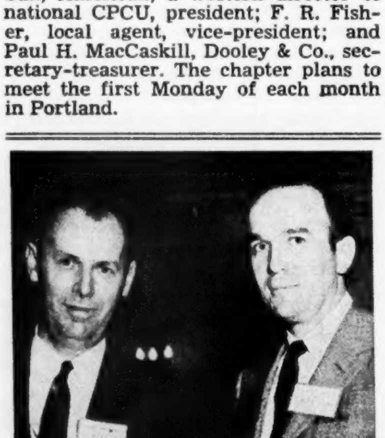
The court said the exclusions and exceptions in this coverage were not stated with clearness and precision. They did not apply to the construction work performed by Mason. "Both the accident and the injuries resulting therefrom were brought about not from the completed and accepted sewer system but from the direct results of the acts of negligence committed during its construction. The policy covering said accident for which premiums were charged was then in full force and effect; and the conclusion is inescapable that the insurer is therefore liable in solido with its insured, Mason."

Aetna Fire's Assets Incorrectly Reported

In reporting last week the 1957 results of Aetna Fire, the concluding statistic indicated a decrease in assets of $29,794,365. Aetna Fire had a gain in assets last year of $51,344.

Form Oregon Chapter Of CPCU, Elect Rathbun

A new CPCU chapter has been formed in Oregon, the 49th local CPCU in the country. Officers elected at the recent first meeting are Charles Rathbun, American, a western director of national CPCU, president; F. R. Fisher, local agent, vice-president; and Paul H. MacCaskill, Dooley & Co., secretary-treasurer. The chapter plans to meet the first Monday of each month in Portland.



John G. Galloway, Provident L.&A., and Eugene F. Gaffey, Peerless Ins. Co., shown while attending HIA group forum last week at Chicago.

Standard Accident Cuts Auto From 51 To 41% Of Total

Net premiums written in 1957 by Standard Accident and Planet declined 1.4% to $64,160,000 excluding $10 million of special reinsurance accepted in 1957, having to do with the termination of the arrangement with Auto Club of Southern California. Direct writings of automobile business were smaller in amount and, as a percentage of total volume, declined from 51.2% in 1956 to 41.4% in 1957. Fire and marine writings showed the greatest increase and were 12.6% of net written premiums in 1957. This increase was due, in part, to the purchase by Standard Accident at the 1957 year-end of the west coast business of Providence Washington. A large portion of the acquired volume was well-seasoned fire and marine business with a satisfactory loss experience, President L. K. Kirk of Standard Accident declared.

The 1957 underwriting loss from normal sources was $6,316,000 as compared with $2,654,000 in 1956. On an indicated basis the 1957 loss was 8.8% against 2.1% in 1956 and an average underwriting profit of 2.9% for the last 10 years. In addition, there was a temporary loss in 1957 of $1,925,000 on the special reinsurance accepted. This loss, being entirely due to financing penalty, will be restored to surplus as this reinsurance runs off in subsequent years, Mr. Kirk explained. This transaction will produce a modest underwriting profit when completed.

Investment earnings continued to rise, reaching a new high of $2,589,000 in 1957, up 8.2% in the year. The present annual dividend is covered more than twice by investment earnings after taxes.

Standard Accident's policyholders' surplus at Dec. 31, was $27,881,000. This was $5,826,000 lower than the previous year-end. Mr. Kirk said less than half of this decline was due to the operating loss from normal sources after taxes and dividends, more than 30% of it coming from the temporary net effect of special reinsurance accepted. Nearly 20% resulted from an unrealized loss of $1,075,000 on stocks owned.

Consolidated assets of Standard Accident and Planet increased $5,922,000 to $125,587,000. Total invested assets and cash increased $1,774,000 to $107,293,000. Cash and bond holdings alone more than covered net insurance liabilities which allows for an equity in the premium reserve. Cash plus government bonds amounted to 42% of the total reserve for unearned premiums and for claims and claim expenses.

Pilot, the Canadian affiliate, reported its 20th consecutive year of profitable results in 1957. Premium volume was $3,387,000. The indicated underwriting gain was 5.9% as against 12% for the last 10 years.

Standard Accident and Planet had a loss of $2.16 per share after allowing for an increase of $5.52 per share in the equity in unearned premium reserve and after taking credit for $3.80 per share of tax recoveries. Investment earnings attained a new high of $5.25 per share but were more than offset by the underwriting loss.

Adverse underwriting experience came principally on auto lines.

Ohio Fraud Suspect Arrested In Houston

John J. Tobin Jr., Youngstown, O., city councilman and mayoralty aspirant, has been arrested in Houston and has waived extradition for his return to the Ohio city where he faces charges of embezzling $250,000 from American through faked claims. His campaign manager and alleged accomplice, Paul E. Shade, was accompanying Tobin but escaped arrest.

A $100-a-week adjuster for American, Tobin freely admitted to police his false claims scheme and said he was "making money so fast the insurance company would have to call me and remind me to cash my $100-a-week checks. I was messing up their books more by not cashing my checks than I was with the phony claims."

Took $250,000 In 2 Years

Thomas A. Beil, Youngstown prosecuting attorney, said Tobin had been swindling American for $250,000 during the past two years. He said the company had made payments to fictitious policyholders for claims on fictitious automobile collisions.

The biggest loss was $60,000 in fake claims from a nonexistent accident said to have occured on the west side of Youngstown involving four cars and nine persons. It is alleged that Tobin and Shade organized nine dummy companies to process checks and handle work on fake claims. They also were said to have used aliases and to have set up a number of bank accounts. Dr. James W. Barnes Jr., a physician, is out on bail, charged with obtaining money under false pretenses in connection with fraud and cashing a number of settlement checks.

Tobin told police he fled Youngstown "two days before I was to take office as councilman" after he realized his company had become suspicious.

Could Afford High Living

"I was living high and could afford it," he said. "I was wearing $250 suits and living in a $35,000 home bought as a present to my wife and four children. We have two Buicks and one Cadillac."

He said he maintained a separate office for himself and his false claims scheme and "employed more people than my insurance company did. I had five girls working for me, doing nothing but making telephone calls."

Sherwood Resigns, D. M. Green New Head Of Independent Mutual

INDIANAPOLIS—Elmer W. Sherwood has resigned as president and director of Independent Mutual, the company whose rates are under investigation by the Indiana department. Mr. Sherwood, for many years a prominent political figure in Indiana, goes on trial March 10 for bribery in connection with a state highway scandal. The company was in no way involved in the scandals.

Successor to Mr. Sherwood is D. M. Green of St. Louis. Officers of the company—Mr. Green, Max Lubin, and Joseph L. Ivanhoe—are meeting with Commissioner Palmer to discuss Independent Mutual's rates. The company writes fire and extended coverage on household goods on a weekly collection basis at a rate of 50 cents per $1,000. Mr. Palmer has described the officers of Independent Mutual as "entirely cooperative" in the rate investigation.

CPL Rates Increase, Rule Changes For CPL, Elevator, M&C

National Bureau of Casualty Underwriters has changed its manual rules and rates for comprehensive personal liability, farmer's CPL and elevator liability, effective Feb. 26 (except in Hawaii where the effective date is April 1).

The CPL rate is increased $1 in 14 states and Hawaii; and in one state the rates are increased $3. Farmer's CPL rates are increased $1 to $5 in 19 states and Hawaii. PDL and collision rates for elevator liability are reduced 25% in 39 states, District of Columbia, Alaska and Hawaii. BI is increased primarily to reflect increased inspection costs. These changes result in statewide average increases ranging from 6.7% to 27.7%, the average being an increase of 20.4% for all states for which rates are revised.

Among the more important general liability manual rule changes are the following:

The factors for elevator BI increased limits table A-E are reduced in recognition of the fact that the inspection provision is now a larger proportion of the basic limits rates in most rate territories.

In farmer's CPL, coverage for "custom farming" is basically included. No charge is required for such operations where they are incidental to insured's other farming operations. If not incidental and coverage is not desired for such operations, they may be excluded by endorsement.

Classifications in the M&C liability manual are amended to conform as closely as appropriate to workmen's compensation classifications. Changes are mostly editorial and are intended to reduce substantially the wordage which is required to be typed in policies.

Kill UJF In S. C. But Compulsory Not Dead

The South Carolina house has killed the bill setting up an unsatisfied judgment fund after one of the lengthiest debates in the history of the legislature. However, as of Feb. 20 there was still a chance that a vote defeating compulsory auto insurance could be brought up again for reconsideration.

The house voted to adopt legislation submitted by a study commission which would strengthen the present financial responsibility bill.

A **comparative negligence** bill which would permit damage awards in auto accident cases upon a percentage of negligence basis has been filed in New Jersey. This is the third successive year such a bill has been put in. Endorsed by National Assn. of Compensation Claimants Attorneys, the measure is opposed by New Jersey Bar Assn.

Allstate Shows Gains For 1957

Premium volume of Allstate and Allstate Fire in 1957 totaled $313,168,000 on a direct basis, a gain of $30,483,000 or 11%. Automobile accounted for $299,816,000, up $25,882,000. The auto experience produced a $2 million underwriting loss, but gains in fire general liability, theft and homeowners reduced that by 75% to $578,000. In 1956 the overall underwriting loss was $1,412,000.

In fire insurance, the direct premiums were $7,683,000, a gain of $1,955,000 or 34%.

Allstate had income on investments of $11,402,000 as compared with $9,716,000 the previous year. The company showed a net profit after taxes of $10,235,000, 26% better than 1956 when the net was $8,131,000.

President Judson B. Branch commented that the company had excellent gains in the number of policyholders in all lines. Total policies in force of Allstate at the end of 1957 were 4,536,747, an increase of 332,475.

Assets Up $44.5 Million

Allstate on Dec. 31 had assets of $423,894,000, a gain of $44,536,000. The loss reserve totaled $167,134,000, up 21%, and surplus to policyholders was $76,964,000.

The company has 30 regional offices, 203 district service offices and six zones. In 1957 Allstate began writing theft insurance and homeowners coverages and commercial fire insurance, and entered the life insurance business with its new company, Allstate Life.

Fireman's Fund Had Improvement In Results In 1957

Fireman's Fund and its affiliates had net adjusted earnings of 18 cents a share in 1957, compared with a loss of $2.27 in 1956, James F. Crafts, president, reported. "While underwriting results showed improvement," said Mr. Crafts, "the rising loss cycle which first manifested itself in late 1955 continues to impair operations in the industry. In 1957 Fireman's Fund's underwriting loss was $12,862,000 as against $22,251,000 in 1956."

Investment Earnings Show 6% Gain

Investment earnings for 1957, excluding realized capital gains, were up 6% and totaled $11,484,000, leaving an operating deficit of $1,378,000. In 1956 the operating loss was $11,397,000.

The earnings of 18 cents exclude the gain on sales of investments but include allowance for a 35% equity in the increase in unearned premium reserve. The figure does not reflect income tax refunds aggregating $7,160,000 recoverable as a result of underwriting losses sustained in the last two years.

For the first time in many years premium volume did not increase, largely reflecting underwriting selectivity.

Assets at year-end increased to $457,831,000; loss and loss expense reserves stood at $113,908,000 compared with $105,935,000; unearned premium reserve increased $5,483,000.

Will Debate Whether Life Agents Should Promote All Lines

Should a life agent write multiple line coverage and the local agent handle life? This question will be discussed by a four-man panel at the midyear meeting of National Assn. of Life Underwriters March 23-27 at the Dinkler-Tutwiler Hotel in Birmingham.

H. Cochran Fisher of Aetna Life at Washington, D. C., will speak in favor of life agents handling multiple line business. Harold W. Baird, Northwestern Mutual, New York, immediate past president of New York State Assn. of Life Underwriters, will oppose this view. G. William Blair of Birmingham will speak for general agents handling life, the opposite view being presented by William M. Vaughan of the Memphis general agency Anderson, Fisher & Vaughan. H. K. Gutmann, Mutual of New York, New York, will moderate the discussion, which will be followed by an audience question period.

Fails In Novel Suit Vs Agent To Recover Law Costs And Business Interruption Loss

Insured was successful when he sued his insurer, Saskatchewan Government Insurance Office, to recover under a marine policy for the loss of a fishing vessel. But he failed to recoup his legal expenses for which he sued the agent who placed the business. He charged that the agent, by obtaining a policy which contained terms defeating recovery was negligent. The case is Ciaramitaro vs Gough & King, and is reported in 9CCH (Fire & Casualty) 457, decided by the U.S. appeals court in Boston.

Ciaramitaro owned a fishing vessel whose home port was Gloucester. Through the brokerage firm of Gough & King of New York, Ciaramitaro obtained a $30,000 hull policy in Saskatchewan Government Insurance Office. The policy carried a warranty that the vessel was engaged in day fishing only, out of Gloucester.

About 3 a.m. July 3, 1954, the boat set out and began fishing for whiting. After fishing all morning, the vessel sank in the early afternoon from unknown causes. It was a total loss.

Saskatchewan denied liability, claiming a breach of warranty because the boat did not confine itself to day fishing. Insured sued and won a district court verdict which was upheld by the appeals court. Insurer satisfied the judgment by paying $30,000 and $2,780 in interest and costs.

Claimed Broker Was Negligent

In suing the broker, insured's theory was that the broker negligently failed to obtain the type of policy asked by insured but on the contrary procured a policy which included an unwanted warranty, expressed in ambiguous terms which practically invited a contest of liability by the insurer. Consequently, insured argued, he was entitled to recover from the broker the amount of counsel fees and other expenses which insured incurred in suing the insurer, plus a sum that would reimburse him for loss of earnings from fishing due to the sinking of the ship.

The court dismissed insured's suit against the broker. It stated that the plaintiff had referred the court to no case in Massachusetts or elsewhere sanctioning recovery against the broker or agent where the policy procured by the agent covers the loss in question and in the amount asked for. He would not be liable for more than the face value of the policy (which in this case was recovered). Also, the broker or agent cannot be taken to have guaranteed that the company will not make an unfounded resistance to a claim under the policy.

Independent Adjusters Of N. Y. To Give Prize

New York Assn. of Independent Insurance Adjusters will award a $100 prize to the student at Insurance Society of New York who writes the best essay on the subject "Public Relations and the Insurance Company Adjuster." The award will be made at the close of school session, and competition is confined to current students. The award is part of the education program being conducted by the association to improve the quality of the work of the independent adjusters.

Pittsburgh Mariners Elect

Mariners Club of Pittsburgh has elected as 1958 officers Willis Drummond, National Union, skipper; Kennison Gale, Boston, first mate; J. C. Kraft, Home, yeoman-purser; and Ralph Fiorentino, Appleton & Cox, master-at-arms.

Longshoremen's Act Extension

WASHINGTON—A subcommittee of the House post office and civil service committee has been set up to guide a House bill that makes provisions of the longshoremen's and harborworkers' act applicable to civilian employes of instrumentalities of the armed forces.

Promise, Problems Of Major Medical Discussed At HIA Group Forum At Chicago

Major medical—its promise and its problems—was the subject of a panel discussion last week at the annual group forum of Health Insurance Association of America at Chicago. Panel members were Gordon N. Farquhar, group secretary Aetna Life, Carl R. Ashman, 2nd vice-president and actuary Lincoln National, and A. B. Halverson, 2nd vice-president Occidental Life of California, and Lawrence M. Cathles Jr., group vice-president of Aetna Life, was moderator.

"The popularity of major medical insurance coverage and the great demands for the 'best' plans have caused the insurance business to run where, perhaps it should have been walking," said Mr. Halverson.

"Today we find ourselves in the ridiculous position of trying to take care of both the small bills and the catastrophes with our rates sometimes less than those we charged for the limited benefits alone" during the early days of major medical insurance planning. "It's time for us to go back to the sound principles of original major medical philosophy," he declared.

Helps Keep Abuses Down

"One of these principles is the purpose of coinsurance to help keep abuse down by making the insured's pocketbook aware of the cost of unnecessary expenses. For a young person with a family and earnings of less than $5,000 a year, the 20% or 25% coinsurance can be a definite deterrent. When you get into the higher income brackets, the 20% coinsurance is meaningless. Is it not a good idea to vary the coinsurance according to the income of the insured?"

Another problem, continued Mr. Halverson, was the question of duplication of coverage. Where this exists, there is the possibility of paying the claimant as much as 1½ to 2 times his actual expenses, which almost amounts to a time-loss benefit without the inconvenience of loss of time. "Since it is impractical to determine what benefits a person has under individual policies, companies have been forced to exclude only expenses covered under other group plans. At first only the employe's other group plan was excluded. However, with so many wives working today and, in turn, insured as employes under group plans, the problem is compounded and we must limit liability where any other group benefits are available."

Headed Toward Subrogation

It would appear the companies, of necessity, are headed toward the subrogation and pro-rata clauses which are prevalent in the casualty field and in some service plans, Mr. Halverson remarked. "It also means that unless we are prepared to spend the time and money to check every claim thoroughly, we must accept the statements of the insured and recognize that some people will not admit to other benefits."

Another source of anxiety, he said, is the field of psychiatric care for mental and nervous disorders. According to available information, claim costs have remained at reasonable levels where expenses outside the hospital are excluded; and where there is no such limitation, the claim costs have risen more rapidly than expected.

Referring to inconsistencies of medical care costs—both from hospital and doctor standpoints, Mr. Halverson pointed out that the insurance business, through such organizations as Health Insurance Council and Health Insurance Institute, is working toward better mutual understanding among these primary groups. Thinking men in medicine are also concerned and they too are expending efforts along this line. However, a general meeting of minds has not been reached and the area of public relations involving the medical profession is still a delicate subject.

"We cannot go our individual ways and expect major medical to succeed. Any company that attempts to correct an area of possible abuse or evil is stopped in its tracks when it is told that its competitors are ignoring the situation," he observed.

"Clearly established, well understood fee practices would help insurance do a better job for patients, doc-

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Jan. Fire Losses Near $100 Million

National Board reports estimated fire losses in the U. S. during January were $99,918,000, close to the $1 billion a year rate. The January total represents a decrease of 13.3% from losses in January a year ago. The January, 1958, total was an increase of 9.2% over losses in December, 1957, and was up $2,946,000 from losses in January, 1956.

Balanced Showing Of Results To Public By Aetna Life Group

In connection with the studies now going on in the business as to how best to present, in advertising, releases and otherwise, an insurer's results for the preceding year, the presentation by Aetna Life affiliated companies in newspaper advertisements represents something of a departure from the usual overemphasis on big figures.

The Aetna Life group's presentation features payments to policyholders made by all of the companies in the group to policyholders, and that is the big figure in the advertisement—$586 million. The advertisement also calls attention to the fact that the group wrote 5¾ million checks in 1957 for the benefit of policyholders. This represented more than $2¼ million every business day.

Continued Steady Growth

The exhibit then states that the group continued to experience sound and steady growth, "but growth, while gratifying, brings heavier responsibilities. The assets shown in the financial statements below are more than the possessions of the three corporations. They represent funds held for the benefit of protection of policyholders.

"Guarded with care, above and beyond that required by law, these funds when called to action put a young man through college, make possible the continuation of a business, finance a happy retirement. They pay medical bills, provide needed income in time of sickness or death. They pay for accidents and fires and cover all types of losses.

"These are the basic purposes of an insurance company and the basic reasons why an insurance company has such a sense of responsibility to the public it serves."

Following this, in smaller type, the presentation calls attention to life insurance in force and some other items, one of which is the underwriting losses of Aetna Casualty and the causes therefor. The group takes occasion to put in a good word for high school driver training and the use of the Aetna Drivotrainer. The advertisement also calls attention to the fact that during the year Aetna Casualty made 177,000 inspections, surveys and analyses of factories, construction jobs and other properties in an effort to find out and eliminate potential accident causes for policyholders.

In the final box of the advertisement, in still smaller type, are the assets, policyholders surplus, etc., of the three companies, which are among the biggest in the business, but among the smallest in insurer advertisements that have been appearing.

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Plan Insurance Seminar At San Francisco May 8

Northern California CPCUs and northern California chapter of American Society of Insurance Management will be joint sponsors of an insurance seminar May 8 at San Francisco. It will be modeled on a similar program the groups conducted last year.

The theme of the 1958 program will be "Facing Up to Tomorrow's Insurance Problems." The day will be devoted to seminar discussions by several groups.

Says Total Auto Fire Loss Unlikely Unless Arsonist Sets Torch

The unlikelihood of an automobile fire producing a total loss unless it has been deliberately set by human hand invites suspicion of claims reporting complete destruction, William J. Davis, secretary and manager of the western department of National Automobile Theft Bureau, declared in describing his organization's activities in combating auto arson.

William J. Davis

Speaking at a meeting of Cook County Fire Underwriters Assn. at Chicago, Mr. Davis traced the history of the bureau back to its formation in 1912 when it was organized to assist law enforcement officers in the identification and return of stolen cars. With the rise of vehicle arson, the bureau also directed its attention to this area, and after member companies of the bureau began to report each instance of fire claims, "we soon found that there was a marked similarity of stories about the reasons for the fire," Mr. Davis said.

Although a claim for partial loss is common and may be perfectly legitimate, he said the validity is questionable of those claims arising out of the car which has been reduced to molten metal at 1 a.m. in some out-of-the-way place and the owner just happens to be two months behind on payments.

Quoting some comparative statistics which showed, for example, in Connecticut only 5.31 cars out of every 100,000 registrations were deliberately burned in 1954 while in West Virginia owners set the torch to 43.14 cars out of a similar number, Mr. Davis revealed the existence of an "arson belt" where some of the population consider burning up cars to collect insurance as being just good, clean fun. This type of crime is peculiar to certain elements of people, he said.

Car Fire Not Easy To Start

"We had to convince (law enforcement) officers that a total fire loss was prima facie fraudulent," Mr. Davis remarked, supplementing his talk with a film on tests made by the bureau to determine the potentiality of a car catching fire which would result in total loss. Experiments with cigarettes and blow torches disclosed that seat upholstering, undercoating and engines would either resist ignition or flames would cause only negligible damage without rendering the auto inoperable. Only by saturating the vehicle with gasoline could a blaze sufficient to cause total loss be produced.

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Turnbull Joins London Group

David L. Turnbull has joined London group as eastern regional controller. He formerly was research director at SPAN electronic processing center in Hartford. Prior to then he was with National Fire, where he held the positions of research analyst, Pacific department controller, and assistant superintendent of accounting and statistics. He is a specialist in the preparation of accounting and statistical data for electronic processing.

Troubles Of Property And Casualty Companies Are Not Over Yet, St. Louis Agents, Brokers Told

The troubles of property and casualty companies are not at an end, predicted W. H. Crandall, St. Louis manager of Aetna group, who went on to enumerate some of the current problems confronting the industry.

Speaking at the installation dinner of Associated Insurance Agents & Brokers of St. Louis, Mr. Crandall blamed inflation as the grinding force which has caused companies to take premiums in soft dollars and pay losses with hard dollars. He also noted vast population movements that have brought about merchandising dislocations in insurance sales and the yet unsolved problem of insuring rapidly widening blighted areas in the mid parts of large cities as well as virtually abandoned areas and villages in country areas.

Windstorms and hurricanes also produce such an aggregate of maintenance claims in addition to legitimate storm damage losses that under present forms and rates, red figures will leer again in 1958.

No Profit On EC Since 1944

Extended coverage hasn't shown a profit to the companies in any year since 1944 so far as he could learn, he said, while the more extensive of the broad forms that it sired went into the red last year and underwriters are predicting the same results in 1958.

"While the industry's intensive, never ending campaign of fire prevention, dating back to the days of Frederick William the Elector of Prussia, has made notable strides in reducing the number of fire losses," he said, "we now have bigger fires, because we have not perfected the technique of putting them out fast enough. The extension of great manufacturing in mercantile operation into the suburban areas, the shortening of the firemen's work week without a compensating increase in the number of firemen, great values now being exposed to one loss under one roof as typified by the Lavonia, Mich., disaster, and the additional contemporary problems as created by reactive organic peroxide in the plastic industry; piraforic "Self-igniting" combustible metals, the growing use of explosives for shaping and forming in metal fabrication handling; and storage of liquid oxygen and hydrogen at ultra-low temperatures; new high energy chemical flight fuels employed in the rocket missiles program and now the greatly expanded use of radioactive materials.

These and many other factors concomitant with our dynamic economy and dynamic defense program make it most difficult for us to keep from loosing ground in the field of fire extinguishment."

Claims Double In Decade

In the field of automobile insurance, he pointed out that individual claims almost doubled in the last decade, with more cars coming on the road each day, more accidents, more severity. "This is a monster," he declared. He also touched upon the extremely high levels reached for judgments in the field of general casualty protection.

There are still some "goodness and brightness and color among the dark tones," Mr. Crandall said. While the true combination of underwriting losses, taxes and dividends have taken the fire and casualty earnings of the last decade—insurance premium writings and the value of equities held by the companies have doubled. Though a billion was lost last year, six billions or more are still in reserve. Our major property and casualty insurers are still solvent, vigorous and active, he said.

"Furthermore, their partners, the agents, have increased their insurance earnings to the highest point in history. While taking level commissions on the increased volume of premium, you also have actually raised your commission average by almost two points of the premium dollar in the last decade."

"Again behind us we have the developed pattern of multiple line underwriting and multiple line writing. Companies are today no longer truly fire companies or casualty companies but more properly multiple line companies just as you have been multiple line in your approach to the sales opportunities for many years. The major companies have not only expanded their writing vertically, but have extended them horizontally—in their so doing the first really new concept of insurance since the times of Charles II has evolved—'insure the loss, rather than the peril.' This all must and will continue but the shock of the initial attempt, the calculated experimenting, the development of workable techniques is behind us."

He added that companies and agencies through cost accounting have reduced their overhead 25% during the last 10 years.

One very disturbing fact for stock companies and their agents, he said, was that during the past decade premiums of stock, property and casualty companies produced through the American agency system have doubled, they haven't kept pace percentagewise with the increase enjoyed by other insurance companies using different merchandising methods. Nationwide there has been a steady retreat in fire and allied lines, including auto physical damage. This retreat has amounted to about 1% a year, so that now for the first time in history, "we must face the highly disturbing knowledge that agency stock companies are writing about 70% of these classes of business." With regard to a solution to this adverse trend, Mr. Crandall remarked that despite all the chaos in the in-

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Region VI Insurance Women Set Annual

National Assn. of Insurance Women, Region VI, will hold its annual meeting March 14-16 at Sequoyah State Park near Muskogee, Okla. Insurance Women of Muskogee will be hostesses.

Keynote speaker at the meeting banquet will be Rep. Edmondson of Oklahoma, and speaker for the presidents' luncheon will be Ernest R. Rosse of Philadelphia. Entertainment at the banquet will be furnished by Chief Shunatona and the Chibiabans from Tulsa. Mrs. Frances Runk of Houston, president of National Assn. of Insurance Women, and Mrs. Lola M. Brooks, also of Houston, association secretary, will be present for the meeting.

Mrs. Connie Golden, Shreveport, Region VI director and Miss Grace White, Shreveport, key chairman, will preside at the meeting.

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The **John Young Jr.** agency which recently moved from Montclair, N. J., to Caldwell, N. J., has been merged with the **James A. Doyle** agency in Caldwell.

New Auto Policy Format Saves Labor Expense For Underwriter, Agents Alike

Donegal Mutual of Pennsylvania has evolved a new combination family automobile policy as a service to its agents. The new features of the compact policy save in policy preparation, handling and processing, according to Charles W. Margraff, manager of Donegal Mutual's casualty division, who devised the new format, and Ralph C. Graves of Underwriters Forms Service, New York, who designed it. The policies were produced by Mr. Graves' company.

Donegal Mutual's primary concern was to place a policy in the agent's hands which would eliminate as much detail as possible, simplify the policy typist's operation and at the same time incorporate many desirable features, as well as provide flexibility in a highly competitive field, according to Mr. Margraff. Special emphasis was placed on the elimination of separate endorsements, such as payment plan, uninsured motorists coverage, two-cars schedule, etc.

Though the company encourages the agent to include all owned automobiles eligible for family coverage in the same policy contract, no special endorsement is required in the new policy if this is not done. On the standard bureau form it is mandatory that all

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Western Casualty Looks For Better Results In 1958

Western Casualty had a profitable fourth quarter ended Dec. 31 and "we are confident that earnings can and will be restored to more attractive levels," Ray B. Duboc, chairman, said in summarizing 1957 operations.

The combined loss and expense ratio in 1957 was 103.72%. Statutory underwriting loss, including some strengthening of loss reserves, was $2,030,810, against a loss of $986,364 in 1956. The net gain from investments was $1,027,399, compared with $895,420.

Operating Loss Exceeds $1 Million

The net operating loss, before adjustment to reflect $649,724 addition to equity in unearned premiums, was $1,003,411, against a loss of $192,289 in 1956.

The operating loss of $365,000 (after the increase in equity in unearned premium reserve) did not include an income tax refund of $117,437 received in May nor refundable income taxes of $787,714 resulting from loss carry-backs. With these tax credits included, the adjusted net income was $540,000, equal to $1.08 a common share, compared with $1,175,000, or $2.35 a share, in 1956.

Net premiums written were $39,323,221, compared with $37,069,939. Consolidated assets rose to $54,888,657, a gain of $2,251,468. The surplus account declined $1,728,179 after absorbing $579,464 unrealized loss in the value of securities, after adding $649,724 to equity in unearned premium reserve and after $600,000 paid in dividends. The book value of the 500,000 shares of stock Dec. 31, including the equity in the unearned premium reserve, was $41.60 a share, against $42.96 a year ago.

N. Y. Bond Underwriters Tour Construction Sites

Assn. of Bond Underwriters of New York City recently toured several construction projects being completed in the metropolitan area. The tour was arranged by John B. Lamb of Continental Casualty, president of the association, and was guided by Arnold Kagan, president of the Five Boro Construction Corp., contractors on the projects.

The bond underwriters visited the Greenpoint incinerator in Brooklyn, a $4 million contract, a $2 million power plant project and $14 million hospital building job on Ward's island, and a $1 million alteration contract at the Museum of Modern Art in Manhattan.

Most of his company's subcontractors are bonded, Mr. Kagan told the bond underwriters, because the bonds insure more efficient and a better class of work and reduce delays.

Indianapolis Assn. Elects

Indianapolis Casualty Underwriters Assn. has elected John E. Atkinson of Fidelity Mutual as president; Robert W. Wilson, American States, vice-president; Everett Smartz, Gulf, treasurer; and Alfred Davidson, Indiana Lumbermens Mutual, secretary.

L. A. Personnel Forum Elects

Personnel Management Forum of Los Angeles has elected Roger E. Martin, St. Paul F.&M., as chairman; Wallace W. Cameron, Canadian group, vice-chairman, and Lois C. Dewey, Founders, secretary-treasurer.

Cleveland Insurance Day Set March 10, Speakers Slated

Insurance Board of Cleveland will hold its fifth annual Insurance Day March 10. The program will open at 8 a.m. with registration, followed by a keynote forum, morning, luncheon and afternoon sessions, and end with a skit presented by Cleveland insurance personalities entitled "Gone Because of the Wind."

Paul D. Cousineau, associate chairman of the program, will preside at the opening session, at which Paul R. Whitbeck, president of Insurance Board of Cleveland, will make a welcoming talk and Superintendent Vorys of Ohio will deliver the keynote address.

The morning session will be a CPCU workshop, Mr. Cousineau presiding, and will feature a panel discussion "Successors Unknown" with Richard K. Jones of Wooster, moderator; and Eckley R. Chase and Jean C. Hiestand Jr., Ohio Farmers; Robert M. Anderson of Wooster, and Ivan Steiner Jr. of Wooster, vice-president Ohio Assn. of Insurance Agents. William E. Wilson of Cleveland, will talk on "More Money —Less Pay."

Gov. O'Neill Luncheon Speaker

At the luncheon, George E. Frankel, general chairman, will preside. Mayor Celebrezze of Cleveland and John W. Hemphill, president Ohio Assn. of Insurance Agents, will extend greetings, and Gov. O'Neill of Ohio will speak on "Ohio's Progress in Insurance."

Topic of the afternoon session will be "Business Today," W. D. Gorton, associate chairman of the program, presiding. Feature talks will be given by Harold G. Evans, American Casualty; Ray Murphy, Assn. of Casualty & Surety Companies; and Harry F. Perlet, Multi-Peril Insurance Conference.

Paul R. Whitbeck is president of Insurance Board of Cleveland; Donald S. McBride, vice-president; and J. H. Bishop Jr., executive secretary and treasurer.

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T. C. Parker Jr. has been appointed by General Adjustment Bureau as resident adjuster at Auburn, Cal. This is a new office and is supervised by Sacramento.

Springfield's 1957 Was Bad But Grew Better Toward End

Springfield F.&M. sustained an operating loss in 1957, but the majority of the losses came during the first four months of the year. The results of the last half of the year showed a modest net profit over-all, according to the annual report of S. Dwight Parker to stockholders. Each succeeding quarter's underwriting results improved over the preceding quarter.

S. Dwight Parker

The underwriting loss of Springfield F.&M., New England and Michigan F.&M. was $5,347,180, compared with $4,963,818 in 1956. Policyholders surplus was down $5,503,790, due to underwriting losses and security shrinkage. Assets were off slightly, from $121,885,577 to $121,041,002.

Premiums written increased 6.9% to $58,471,345, a record high. Unearned premium reserves went up $1,066,091. The ratio of loss and loss adjustment expense to earned premiums was 64.4, compared with 63 in 1956 and the ratio of expenses to written premiums was 44.1, compared with 45.8. This was accomplished by increasing premiums written $3,798,715, while underwriting expenses increased only $748,087. The fact that more business was handled at a less than proportionate increase in expense is due to the installation of many improved techniques of processing, according to Mr. Parker.

Loss Is $3.19 A Share

The company sustained a net operating loss before taxes of $2,236,261, or $3.19 per share, and $1,272,937, after taxes. In 1956 the net operating loss before taxes was $1,951,055, or $2.79 per share.

The percentage of losses and loss expense to premiums earned for major lines, with comparable figures for 1956, were: Fire and allied lines 57.8 and 55.9, extended coverage 70.4 and 62.4, multiple lines 62 and 47.8, inland marine 68.4 and 64.1, ocean marine 73.5 and 66.9, crop-hail 65 and 97.2, automobile 75.6 and 73.1, other casualty 58.2 and 61.6, and fidelity, surety and burglary 63 and 86.9

For the first time a list of definitions was inserted in the report, to help explain some of the technical terms used in the fire and casualty business.

"There is an urgent need for a rating formula which would be more responsive to current loss trends by giving greater weight to the experience of more recent years," Mr. Parker commented. This is imperative to curb the violent swings in loss results to which the fire and casualty industry has long been subject.

"It would be unrealistic to view the immediate future as other than cloudy," he added. "However, on the fair weather side, some rate relief for both property and automobile insurance appears likely. Many economists are forecasting that the inflationary impact on the nation's economy appears to be abating. Any such development should have a favorable influence on loss ratios since, in our judgment, inflation has been the greatest single enemy of underwriting profits for the fire and casualty business.

Increase Advertising When Times Are Tough: W. C. Stone

Advertising and salesmanship constitute the first line of economic defense for the United States, according to W. Clement Stone, president of Combined. "Without an aggressive and expanding economy, our ability to lead the free world and provide an adequate defense against communist Russia would indeed be reduced to a frightening and disastrous level of ineffectiveness," he said.

"Unfortunately, many American businessmen apparently do not realize the fundamental importance of advertising and merchandising," he asserted. "Let times get a little tough, and some business men immediately panic. The first thing they do is to reduce their advertising budgets and cut down on their sales force. They do this in a frantic effort to save money, although they have plenty of reserves on hand for just such an occasion."

"Don't become alarmed and place your business on a starvation diet because of a lack of advertising," he cautioned. "A business man with a sound product or service available must constantly put his best foot forward by reminding the public of his product or service. This constant reminder through advertising and merchandising becomes all the more important when a slight general business decline occurs."

Winners Of College Press Contest Named

University of Illinois' *Daily Illini* was named best among daily student publications competing in the annual college newspaper traffic safety contest sponsored by Lumbermens Mutual Casualty. First prize among non-daily publications went to the *Miami Student* published by students at Miami (Ohio) university.

Second prize among daily publications went to University of Southern California's *Daily Trojan* and third prize to Texas A&M's *Battalion*. Second place in the non-daily class went to Colorado State university's *Rocky Mountain Collegian* and third place to Millikin university's *Decaturian*.

Individual awards were given to five student journalists: Richard Turner, *Miami Student*, Miami (Ohio) university—best editorial; Martin D. Plotnick, *Daily Orange*, Syracuse university—best feature; Ray Cravens, *Kentucky Kernel*, University of Kentucky, and Eddie Gelbert, *Daily Illini*, University of Illinois—tied for best cartoons; Wilmer D. Hartley, *Dartmouth*, Dartmouth college—best photograph.

Mountain States 1752 Club Elects Neumann

Mountain States 1752 Club has elected as 1958 officers: Lloyd R. Neumann, Iowa Home Mutual, president; Byron L. Henecks, Iowa National Mutual, vice-president; and S. A. Bailey, Grain Dealers Mutual, secretary-treasurer.

Club plans for 1958 include at least one clinic and workshop in each of the states represented. The club meets the first Monday of each month at Denver.

Heads Group Harbor Agents

Robert Zelasko of Aberdeen, Wash., has been elected president of Grays Harbor Board of Insurors, succeeding J. M. Arthaud. Other new officers are Robert Backstrom, vice-president, and Millard J. Thompson Jr., secretary-treasurer.

Up To Agent On The Scene To See NAIA Ads Succeed: Hurd

The success of the NAIA advertising campaign will be largely determined by the extent and degree of additional impact made on the public by follow-up local advertising of participating agents, E. R. Hurd Jr. of American group, told Michigan Assn. of Insurance Agents at its mid-year convention at Detroit.


E. R. Hurd Jr.

Mr. Hurd, who is superintendent of sales promotion and advertising of American, observed that for years agents have been admonished to follow up their advertising with personal calls. He pointed out that this is not a glib suggestion but a fundamental premise based on the fact that the sale is being made to strangers. Even the best and oldest customers are strangers because their interests, desires and needs are constantly changing. Only at the exact moment when a sale has been made does the agent have the customer's complete confidence or individual attention. At other times the prospect is bombarded by those who want him to part with his money for everything from taxes to new automobiles.

Changing Aspect Makes Difficulties

The changing aspect of the buyer is what makes the sale of insurance difficult in the first place and the keeping of the renewal a constant challenge, Mr. Hurd declared. If it is true that it is necessary to keep a close touch with friends and good customers, he observed, then it should be obvious that if there is an intention to convert a part of the audience who will be exposed to the NAIA program these potential customers will have to be found and guided to the agent's door.

Mr. Hurd divided insurance prospects into three areas, those who can be contacted by the agent in person, those who can be reached by direct mail, and those to whom the approach must be through the long range medium of newspapers, magazines and other general advertising.

Time available for personal solicitation is limited, and Mr. Hurd pointed out that it does not allow the agent to scratch the surface of his client and prospect list. Direct mail, therefore, has to substitute, and Mr. Hurd said this approach should be called "directed" mail because if it is to be effective, it should be a regular mailing of a carefully drafted letter pointing out specific needs and addressed to persons with whom the agent is acquainted either directly or indirectly. Such mail is designed to replace a personal visit.

NAIA advertising, and that of the companies, will reach prospects not known to the agent. Mr. Hurd said this form of advertising can and does motivate the reader or listener or viewer to buy, but it needs help from local advertising for personal follow-up in order to persuade the prospect that a product or service that is expensive or apparently not needed offers an important benefit. Lack of this additional local support by many agents to consumer advertising prepared by the stock companies "has I assure you, resulted in nail biting and frustration for many an advertising manager."

He explained that local promotion can well mean the difference between success or failure of the NAIA program. Further, he commented, national advertising has as its function the sale of insurance and the increase of agents' income. It can often do the job cheaper, faster and more efficiently and will help bring customers and prospects to the agent. Money spent on the NAIA program is being spent by the agent on himself and his future success, he pointed out.

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Roane Retakes Presidency Of Allied Adjusters, Some Branches To Winchester

Philip M. Winchester has resigned as president and J. R. Leizure has resigned as executive vice-president of Allied Adjusters of Baltimore. John D. C. Roane was elected president and William T. Nickerson executive vice-president. Mr. Roane has been chairman.

The firm will make no change in its functions as multiple line adjusters. It is fully staffed for fire, inland marine and casualty.

The firm is selling to Mr. Winchester the offices in New York City, Newark, and Norwich, Conn.

This will, according to Allied Adjusters, enable that firm to give closer supervision and management to the offices in Delaware, Maryland, Virginia, West Virginia, District of Columbia, Ohio and Florida.

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New Hampshire Fire group has moved their Salt Lake service office to the American Savings building, 65 South Main street.

Ohio Casualty Shows '57 Underwriting Loss

Ohio Casualty suffered a net underwriting loss for 1957 of $678,635. The ratio of incurred losses and loss expense to earned premiums was 59.8%, and the ratio of expenses to premiums written was 38.1% for a combined loss and expense ratio of 97.9%. Net investment income was $1,506,132, and net income after taxes was $790,502.

Premiums written totaled $57,151,415, an increase of $6,569,875 over 1956.

Battershill To Retire From Loyalty Group

John Battershill, manager of the Kansas City office of Loyalty group, is retiring March 1. Lawrence E. McElyea, assistant manager at Kansas City, will succeed Mr. Battershill.

Mr. Battershill has been with Loyalty group since 1910 when he joined Firemen's.

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Allstate has entered North Carolina, the 47th state in which the company has been licensed to sell residential fire.

Upholds Insurer's Right To Negotiate Claims Vs Insured And Not Admit Liability

Although insured and an adjuster for the insurer decided that it would be in the best interest of all concerned to have insured ascertain the amount of damages sustained by farmers when a canal broke and flooded their land—because it was believed the canal company could obtain a more conservative statement of damages—the insurer denied liability and the courts sustained it. The insurer was Inland Empire. Insured was the Aberdeen-Springfield Canal Co. of Pocatello, Idaho. The federal district court at Salt Lake City decided the case and it is reported in 9CCH (Fire & Casualty) 433.

The canal company paid farmers the damages caused by a break in its main canal which caused a flooding of the lands nearby. Subsequently it filed a claim against the receiver of Inland Empire, which had written general liability coverage for the canal company.

The court reasoned that if the canal company was liable for the flood damages, or if that question was resolved in favor of the canal company through agreement between it and insurer, the claim should be allowed.

"Otherwise, the canal company in making the payments must be deemed to have been a mere volunteer acting on its own account, without right to reimbursement from the receiver for the insurance company."

The evidence showed that at the time of the break the canal was not carrying an unusual amount of water. The break probably was caused by a hole or holes made in the bank by muskrats or gophers. This apparently eventually led to the breaking away of a massive section of bank and the consequent flooding.

Following the occurrence, an adjuster of Inland Empire got in touch with an officer of the canal company, and they decided that the canal company should ascertain the damages sustained by the farmers, rather than having a representative of the insurer do so.

The canal company was authorized by the adjuster for the insurer to ascertain the amount of damages claimed by, or acceptable to, the farmers, but did not authorize it to make payments. The canal company and the insurer continued their negotiations over the claims until September, 1953, when the insurer denied liability. Inland Empire went into receivership in November, 1955, and no demand was made and no action was taken against the insurer until after it had gone into receivership.

The key question was whether the insurer had assumed liability because of its negotiations with the canal company with respect to farmer damages. By reason of these negotiations about the claims of the farmers, "is the insurance company bound to recognize, or is it estopped to question, the canal company's claim?"

Not Automatically Liable

On this point the court ruled that an insurer which negotiates with those making claims against its insured to ascertain the amount of their claims and whether acceptable compromise settlements can be arrived at, does not thereby foreclose itself from questioning those claims or its liability to pay them as between it and its insured. This would seem to be true whether the negotiations are carried on directly through insured, providing that there is no assumption of liability going beyond this and no facts making it inequitable for the insurer thereafter to deny liability.

If this were not so, the court adds, in almost every case an insurer would be bound to pay third party claims even though there was no basis of liability. It is generally the practice, and in many cases the duty, of insurers to ascertain what third party claimants will accept in settlement before subjecting themselves or their insured to litigation. But this does not authorize insured to make payments of the claims under investigation and thus bind insurer in the absence of authorization. A settlement by insured, without the previous consent of the insurer, ordinarily releases the insurer.

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M. Nielsen, president of Babcock & Wilcox Co., manufacturer of steam generating equipment, has been elected a trustee of Atlantic Mutual and a director of Centennial.

Convention Dates

Mar. 5-6, Fire Underwriters Assn. of the Pacific, annual, Fairmont hotel, San Francisco.

Mar. 10-11, Health Insurance Assn., methods and procedures forum, Baltimore hotel, New York City.

Mar. 11, Pittsburgh I-Day, Penn-Sheraton hotel, Pittsburgh.

Mar. 12-13, National Assn. of Independent Insurers, annual spring workshop, Monteleone hotel, New Orleans.

Mar. 13-14, Conference of Mutual Casualty Companies, underwriting conference, Conrad Hilton hotel, Chicago.

Mar. 13-15, Tri-State Mutual Agents Assn., annual, Lord Baltimore hotel, Baltimore.

Mar. 16-18, Eastern Agents Conference of NAIA, Claridge hotel, Atlantic City.

Mar. 24, Rhode Island Assn. of Insurance Agents, midyear, Sheraton-Biltmore, Providence.

Mar. 30-April 1, Midwest Territorial Conference of NAIA, Savery hotel, Des Moines.

Mar. 31-April 1, National Assn. of Insurance Commissioners, Zone 3, Dinkler Plaza hotel, Atlanta, Ga.

April 1, National Assn. of Surety Bond Producers, annual, Westward Ho hotel, Phoenix.

April 9-12, National Assn. of Insurance Commissioners, Zone 5, Broadmoor hotel, Colorado Springs, Colo.

April 10-11. Ohio Assn. of Mutual Insurance Agents, annual, Neil House, Columbus.

April 11, District of Columbia Assn. of Insurance Agents, I-Day.

April 13-15, Tennessee Assn. of Mutual Insurance Agents, annual, Andrew Jackson hotel, Nashville.

April 14-16, Life Insurance Agency Managers Assn., A&S meeting, Edgewater Beach hotel, Chicago.

April 16-18, National Assn. of Insurance Commissioners, Zone 2, John Marshall hotel, Richmond, Va.

April 17-18, National Assn. of Casualty & Surety Agents, midyear, Muehlebach hotel, Kansas City.

April 24, Chicago I-Day, Conrad Hilton hotel.

April 24-26, National Board of State Directors of NAIA, midyear, Fontainbleau hotel, Miami Beach.

April 24-26, Southern Agents Conference, annual, Fontainebleau hotel, Miami Beach.

May 1-3, Louisiana Assn. of Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park, Miss.

May 1-3, North Carolina Assn. of Insurance Agents, annual, Hotel Carolina, Pinehurst.

May 2-3, Oklahoma Assn. of Insurance Agents, annual, Mayo hotel, Tulsa.

May 4-6, New York State Assn. of Insurance Agents, annual, Hotel Syracuse, Syracuse.

May 5-7, American Mutual Insurance Alliance, annual, Edgewater Beach hotel, Chicago.

May 8-9, Conference of Mutual Casualty Companies, claim conference, Conrad Hilton hotel, Chicago.

May 11-14, American Assn. of Managing General Agents, annual, Broadmoor hotel, Colorado Springs, Colo.

May 12-14, National Assn. of Mutual Insurance Agents, midyear, Kentucky hotel, Louisville.

May 13-14, Illinois Bureau of Casualty Insurers, annual, St. Nicholas hotel, Springfield.

May 16-17, Texas Assn. of Insurance Agents, annual, Rice hotel, Houston.

May 19-23, National Fire Protection Assn., annual, Palmer House, Chicago.

May 21-23, Insurance Company Education Directors Society, annual, Skytop lodge, Skytop, Pa.

May 22, Midwestern Independent Statistical Service, annual, Bismark hotel, Chicago.

May 23-24, Florida Assn. of Insurance Agents, annual, Fontainebleu hotel, Miami Beach.

May 25-27, Florida Assn. of Mutual Insurance Agents, annual, Balmoral hotel, Miami Beach.

June 6-7, Pennsylvania Claim Men's Assn., annual, Bedford Springs, Pa.

June 8-10, Maryland Assn. of Insurance Agents, midyear, Commander hotel, Ocean City.

June 8-11, Conference of Mutual Casualty Companies, management conference, Grove Park Inn, Asheville, N. C.

June 9-13, National Assn. of Insurance Commissioners, annual, Conrad Hilton hotel, Chicago.

June 11-12, Wisconsin Assn. of Mutual Insurance Agents, annual, Schwartz hotel, Elkhart Lake.

June 11-14, International Assn. of A&H Underwriters, annual, Statler hotel, Los Angeles.

June 11-14, National Assn. of Public Insurance Adjusters, annual, Hotel Traymore, Atlantic City, N. J.

June 12-14, North Carolina Assn. of Mutual Insurance Agents, annual, Grove Park Inn, Asheville.

June 19-21, Georgia Assn. of Insurance Agents, annual, General Oglethorpe hotel, Savannah.

June 29-July 2, Virginia Assn. of Insurance Agents, annual, Cavalier hotel, Virginia Beach.

Aug. 10-13, West Virginia Assn. of Insurance Agents, annual, Greenbrier hotel, White Sulpher Springs.

Loss Prevention Managers Confer At Indianapolis

Serving the public interest was the theme of a two-day loss prevention managers' conference held recently at Indianapolis, sponsored by conservation committee of National Assn. of Mutual Insurance Companies. Managers of loss prevention or safety departments met together to discuss the job of reducing life and property losses.

Keynoter I. G. Saltmarsh, president of Indiana Lumbermens Mutual, said that in spite of the many changes in the business, the basic need was still the same—"to understand the people you do business with, to talk to them and get to know them."

Planning for survival was discussed by Ellis Metheny, material damage manager, Farm Bureau Mutual, Indianapolis. He spoke of the need for closer cooperation between the insurance and automobile industries and told of the work in Indianapolis of Automobile Material Damage Insurance Council. The council's long range projects are to promote safety in auto design and to promote automobile design that will lower repair costs.

Competent personnel and loss prevention was topic of the second day's discussion. Aspects of the problem were treated by L. F. Cason, Purdue university placement director—selection of personnel; and J. A. Conrey, Pennsylvania Thresherman and Farmers Mutual, and Robert Collins, Improved Risk Mutuals—company training.

The conference treated all phases of selling loss prevention to the policyholder, such as the inspector's direct contact with the person, through established local and state organizations and through university training programs. C. M. Blaesi, Indiana Lumbermens Mutual, was chairman.

Preliminary Plans For SAC

The annual meeting of Southern Agents Conference, which will be held in conjunction with the midyear meeting of National Board of State Directors of NAIA April 24-26 in Miami Beach, will feature a discussion of recent developments in the property and casualty fields and of the new national advertising program. Speakers include William F. Aimone, executive vice-president of State Capital of Raleigh, and Harry F. Perlet, general manager of Multi-Peril Insurance Conference.

Louie E. Woodbury of Wilmington, N. C., president of NAIA, will preside over the meeting of state directors. James P. Walker of Augusta, Ga., is chairman of SAC.

Reports Medicare Costs Government Less Than Anticipated

The cost to the government for that part of the medicare program being administered by Mutual Benefit H.&A. is running less than was agreed upon, John J. Wrabetz, medicare administrator of the Omaha company, disclosed at the annual group forum of Health Insurance Assn. of America recently at Chicago.

In June 1957, Mr. Wrabetz noted, a negotiated rate of $1.43 per claim was agreed upon between the government and the insurance company. By the end of 1957, he reported, the company's experience indicates that the cost to the government for providing medical care to dependents of military personnel is now less than $1.30 per claim, a savings to the government of over 10%.

One of the most significant features of medicare, Mr. Wrabetz observed, is the freedom given the dependent in choosing between military and civilian medical facilities for treatment. Insofar as use of civilian facilities are concerned, he added, the dependent "is given full freedom to choose any doctor or hospital who will agree to handle them under the program."

Medicare is designed to provide not the most expensive service, nor least expensive but good medical-hospital service, Mr. Wrabetz explained. Under the program, hospitals are reimbursed at their regular rate for semi-private facilities. In cases where hospitals have just private room accommodations available, 90% of such room charges, up to $15 a day, are paid. Hospitals have been very cooperative in the administration of the medicare program, he said.

Parents Of Soldiers Not Covered

Only the dependent spouse and unmarried children are eligible for care in civilian facilities, he said, remarking that some hardship and illwill has resulted because some parents of military personnel thought they were eligible for civilian hospital care under the medicare program. However, Mr. Wrabetz said, the new dependents' identification card now in use should correct this situation.

In its first year, medicare has met with quick acceptance among more than two million dependents of service personnel, Mr. Wrabetz reported. In the first year of operation, Mutual Benefit H.&A. handled 106,000 hospital claims with a total dollar value of over $11 million. Present indications are that claim volume should level off between 10,000 and 12,000 claims a month, he added.

Studies conducted by the office for dependents' medical care indicate that 80% of cases sampled were for treatment of women—the other 20% consisting mainly of male children under 14 years of age. Air Force dependents are giving medicare the most usage, accounting for 40% of the claims submitted nationally from Dec. 6, 1956, to July 1, 1957. Navy dependents followed with 30%, and dependents of Army personnel submitted 27% of total claims. The Public Health Service accounted for 2.3% of the total claims submitted.

Mr. Wrabetz concluded that medicare has been generally well accepted by physicians and hospitals, as well as the dependents of the uniformed services. It is helping many dependents who would otherwise have been unable to receive medical care in military hospital facilities and is reaching an ever greater number of hospitals and doctors.

N.Y. Insurance Society Students Hear Leslie Discuss Rate Regulation

William Leslie, general manager of National Bureau of Casualty Underwriters, spoke at the February meeting of International Students Assn. of Insurance Society of New York. He discussed rate regulation and some of the rating problems with which the bureau currently is faced, including the rating of automobile liability in New York and elsewhere.

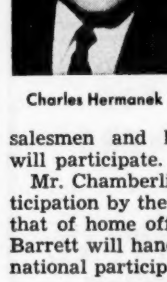
He was introduced by Dr. Robert E. Lorz of Munich, a student at the society's school of insurance, and president of the association, which includes students from France, Germany, Sweden, Colombia, Formosa, India, Egypt, Trinidad, Canada, Philippines, Norway, Equador, and Venezuela.

Three Promoted By Mutual Of Omaha

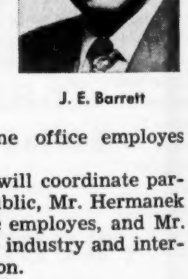
Three members of the home office staff of Mutual Benefit H.&A. have been promoted to officer status. They will serve as coordinators of the golden anniversary of the company in 1959 with the title of assistant to the president. They are: C. Meade Chamberlin, assistant public relations director; Charles Hermanek, administrative assistant, and James E. Barrett, assistant vice-president.

C. M. Chamberlin

President V. J. Skutt said plans for the 50th anniversary are being developed. It is intended that managers, salesmen and home office employes will participate.



Charles Hermanek



J. E. Barrett

Mr. Chamberlin will coordinate participation by the public, Mr. Hermanek that of home office employes, and Mr. Barrett will handle industry and international participation.

Careers Of Appointees

Mr. Chamberlin joined the company in 1941 and has been assistant public relations director for four years. Before that he was in charge of personnel public relations and served as editor of employe publications.

Mr. Hermanek joined Mutual of Omaha in 1939 and has been in claim auditing, underwriting, group, policy approval and planning. For the past 18 months he has been administrative assistant to the president.

Mr. Barrett, who has headquarters at Washington, D. C., has been with the company since 1947. His duties are assisting in supervision of Mutual of Omaha's international air line travel insurance in 37 foreign countries.

Need, Outlook For Extending Dental Treatment Coverage In Health Plans Told At HIA Forum

The need for including dental office treatment in health insurance policies and the chances of obtaining this coverage were described at the group forum of Health Insurance Assn. of America in Chicago. Principals of this discussion were Dr. Rudolph H. Friedrich, secretary of the council of dental health of American Dental Assn., and Walter H. Stuek, general group underwriter of Travelers, whose paper was read by John Hanna, general counsel of HIA.

Health insurance policies will have to cover dental procedures performed in the dentist's office as well as those in the hospital to significantly benefit persons with protection against the cost of medical care, Dr. Friedrich said. Unless dental office procedures are covered, "the use of hospitalization to comply with the contract will place an unnecessary burden on hospitalization insurance." Along this line, he added that other controls should be investigated in order to prevent improper utilization of health insurance which covers dental services.

Have Stimulated Interest

He pointed out that methods of payment, such as group purchase and budget payment, have stimulated the active interest of state dental societies in the development of counseling or mediating committees. He said these committees "have proved most successful in protecting such plans against improper utilization by the patient and the dentist." Such committee activities have gained growing and wholehearted support of the dental profession and have not only protected health insurance programs but have returned an additional bonus in good public relations.

Dr. Friedrich noted that diseases treated by dentistry "are the same general categories of diseases for which the health insurance industry is developing convenient methods of payment through the application of the insurance principle." He stressed that these diseases are just as susceptible to the application of the insurance principle when they occur in the mouth as when they occur in other parts of the body.

"The outstanding difference," he declared, "is that when they occur in the mouth, they are normally treated by a dentist. It would seem, then, that the insurance subscriber is entitled to the benefits of his health insurance in meeting the costs of treatment for these diseases on the basis of the nature of the disease, if the treatment was rendered by a qualified, competent doctor, and not on the basis of whether the practitioner was a physician or a dentist."

No Further Extension

Mr. Stuek did not foresee any further extension of dental coverage under health insurance policies in the near future and said it will probably await the development of usable statistics, particularly with respect to incidence and costs. Whatever is being done by companies to pay some of the charges associated with dental care or treatment is largely administrative in nature. He said he has found no general admission of such practices in the group contracts he has reviewed. "It looks like we have a general industry attitude of 'watchful waiting,'" he observed.

Regarding basic group hospital coverage, Mr. Stuek pointed out that many companies have taken a forward step in recognizing such charges when dental care is involved. He said he referred strictly to charges for room and board and special hospital services, excluding the services of the practitioner involved.

In cases where basic group surgical coverage is involved, Mr. Stuek declared that most companies will pay for dental surgery, involving any truly operative procedure permitted in the surgical schedule, where it is required as the result of accidental bodily injury. However, he added that in these cases he did not mean extraction of broken teeth but rather operations requiring reduction of fractures of facial bones.

Pay Dental Surgery Charge

A liberal approach, although slow in developing, is for a company to pay a surgery charge for a truly operative procedure performed by a dentist or oral surgeon, even though the person performing the operation is not an M.D., he noted.

Under major medical expense or "comprehensive" medical expense plans, Mr. Stuek remarked that any discernable dental coverage appears to be handled on an administrative rather than contractual basis. He added that in consideration of the large area which is opened up in the major medical and "comprehensive" fields, contract language and administration involving dental coverage is fairly tight.

Auto BI Belts Travelers Group Casualty Results

(CONTINUED FROM PAGE 2)

approximately 30%. During this 10 years the average cost to Travelers of settling a BI claim climbed 86%.

Mr. DeWitt noted that since the full effect of higher rates is not immediately reflected in operating results, it is anticipated that it will be some time before the automobile lines again become profitable in the aggregate. Because of this, the companies are giving unusually careful attention to underwriting standards and the selection of individual risks.

"The rates which insurance companies may charge for automobile insurance are regulated by state authorities," the report states. "The losses which this insurance must pay for, however, are subject to no such regulatory procedure, but are a result of the complex social and economic conditions of each section of the country. Therefore it is a matter of serious concern that there has recently been difficulty in obtaining approval of necessary rate increases in some states."

Group A&S premiums increased 29.8% for the year. The full effect of the extension in December, 1956, of the non-operating railroad employes' group health and welfare plan, administered by Travelers, to families of more than 600,000 such employes, contributed to this increase.

Individual A&S premiums were $27,771,000, a 5.2% increase.

Workmen's compensation premiums went up 8.6%, to $95,459,000, and the line produced a small underwriting profit, though less than in 1956 due to a rise in loss ratios.

General liability premiums increased 7.8%, to $53,145,000. Here the loss ratios for BI sharply increased and produced an underwriting loss. PDL produced a small profit.

Other Lines Show Increases

Other casualty and indemnity lines showed premium increases, and this was particularly notable in the case of burglary because of the substantial volume of residence burglary that shifted to multiple peril policies. Surety and burglary lines were profitable, particularly surety. But fidelity, glass, and boiler and machinery showed an underwriting loss.

Multiple peril policies accounted for $9,457,000 in premiums, a gain of 15.7%. Loss ratios were satisfactory and improved over 1956. However, the premium increase produced an underwriting loss.

Fire and allied lines other than multiple peril produced $44,013,000 of premiums for 1957, up 5.3%. Extended cover loss ratios declined, but fire results were about the same as in 1956. The underwriting loss was smaller than in 1956.

Inland and ocean marine (ex-multiple peril) accounted for $9,634,000, a premium increase of 8.8%. Inland loss ratios rose, but ocean losses improved. However, both lines showed an underwriting loss.

Had $9.5 Million Operating Gain

Travelers itself had an operating plus of $9,560,223, compared with $35,172,289 in 1956. Surplus declined $814,251, compared with an increase of $24,695,795. The combined loss of surplus, special reserve and security valuation reserve was $10,647,821. However, this does not reflect a gain of $1,461,967 in surplus and special reserve for Travelers Indemnity and Charter Oak. Assets of the three companies, with intercompany items eliminated, reached $3,311,517,000, up $165,606,000 as compared with an increase of $144,690,000 for 1956.

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Robert J. Haid, manager of personal accounts for Johnson & Higgins at San Francisco since 1951, has joined the brokerage firm of Purcell & Co. as an account executive. He entered insurance brokerage as an assistant accounts executive with Marsh & McLennan in 1946.

HIA Hears How Labor Views Voluntary System

(CONTINUED FROM PAGE 2)

hospitalized did not need active hospital care.

Mr. Pollack cited four features of what he labeled a "new look" in health insurance. These were movements for more inclusive care, more attention to serious health needs, full payment, and full controls.

"Major medical is the most conspicuous example of the new look in health insurance," he remarked. "Major medical will be credited with having seized leadership, covering whole areas of care previously neglected and paying attention to serious and long term illness."

Mr. Pollack then cited a study in Michigan in which eight out of 10 workers surveyed favored health insurance which covered both minor as well as major costs of illnesses.

Must Develop Broader Controls

In order to get broader coverage, broader controls must be developed, and these controls must be operated when and where the fees are made, he declared. The willingness of the medical profession to cooperate with health insurance has been underestimated. Many doctors in a Michigan survey have indicated they would be amenable to more supervisory control over fee scheduling.

Charging hospital associations as being essentially collective bargaining agencies for the hospitals themselves, he said these associations can review justification for hospital costs with about "the objectivity of a person psychoanalyzing himself."

Progress is being made by some medical societies toward more comprehensive protection and by a new group-practice plan being undertaken in Detroit, Mr. Pollack noted. Labor is sympathetic toward this community health association type of experiment, he said. On the legislative side, labor is supporting the Forand bill in the House, because it believes private insurance has no answer to meeting the medical requirements of the aged.

One undisputed advantage the voluntary system has over a legislative program is its latitude for experimentation. However, this has not been exploited to advantage, and more experimentation is needed to show how far insurance should go, he said.

Describing health insurance as being in its adolescence, Mr. Pollack said it has not yet attained maturity, and that is why it is praised for its growth and also criticized by those who believe a "full-scale" system of insurance is needed now.

Shows How Assigned Risk Works Under Compulsory

(CONTINUED FROM PAGE 2)

each day reached 400, though the average is less than 200. Extremely crowded conditions were prevalent at the plan in the days prior to and subsequent to Jan. 1, 1958. Only about 2,100 notices of intent not to renew and refusal to renew were issued (exclusive of those issued by National Fire and Transcontinental) on 1958 business. This shows that the penalty provisions under the primary quota operate as a real deterrent to the issuance of non-renewal notices, Mr. Scammon believes. However, over and above assignments emanating from these two companies, 1958 assignments are being made at a rate of more than 20% above a year ago.

Illustrate Uneven Flow

The uneven but heavy flow of assignments is illustrated by the per month total in 1957, beginning in January: 4,136, 3,248, 3,902, 5,040, 5,226, 4,739, 4,686, 3,727, 3,016, 2,959, 2,036, and 4,485.

An important amendment made in the plan rules discontinues the per vehicle count basis for assignments and credits. Effective last Jan. 1 assignments and credits will be tentatively counted on a unit basis as at present and periodically adjusted to a total premium basis. This will eliminate the possible inequity currently resulting from a unit count basis. For example, by using the premium basis vs a unit basis for both assignments and credits, a risk in western Massachusetts will no longer carry the same weight as a Chelsea or Boston risk.

Minn. Court Holds Hail Insurer Bound By Agent's Assurance On Policy Date

ST. PAUL—An authorized agent's assurance that hail insurance would become effective immediately, prior to actual issuance of the policy, is binding upon the insurer, the Minnesota supreme court has declared in upholding two verdicts totaling $5,480 against Empire Mutual.

Observing that the court had in the past held that oral agreements involving fire, collision and workmen's compensation insurance take effect immediately, if made by an authorized agent, the unanimous decision of the court said:

"There is more reason why this should be so when dealing with hail insurance. Insurance against hail is intended as protection against an act of God, over which one of the parties have any control. There is usually little need to investigate the fact upon which the risk is assumed."

In this case, an Empire Mutual agent had no application forms of that company when he called on two brothers who farm separately. He used the application of another company with the understanding he would later copy it on an Empire Mutual blank, and he advised the farmers the policies would take effect at noon the next day. Before Empire Mutual received the applications, a severe hail storm did heavy damage to the crops of both applicants, and a few days later another hail storm did further damage.

The company denied liability in the first storm because the coverage had not been written at that time, and the two farmers filed suits and won verdicts in the lower court.

Southern Cal. Casualty Assn. Elects Officers

Casualty Insurance Assn. of Southern California has elected as 1958 officers John S. Mee, Maryland Casualty, president; Frank W. Hoffstater, Fidelity & Casualty, vice-president; Marvin Harlan, Travelers, secretary-treasurer.

Hudson County (N.J.) Assn. of Insurance Agents will hold its annual I-Day forum March 26 at Hotel Plaza in Jersey City. This year's topic will be "Surveying the Retail Store Insurance Account" and will be discussed in terms of the sales possibilities of surveys, the problems, and appropriate package policies now available to retail merchants. Speakers will be Herbert D. Young, special agent of Niagara, and Roy H. MacBean, Cranford, N.J., state national director and past president of the New Jersey association. Ira Weisbart, Jersey City, will moderate. Charles W. Girgan, Kearny, is I-Day chairman.

Editorial Comment

Insurance News In Oregon

Gov. Holmes of Oregon announced a few days ago that he would recommend a compulsory auto insurance law to the next legislature, and he promptly got jumped on by the Corvallis *Gazette-Times*, which took a fair amount of space on its editorial page to rattle off some of the more potent anti-compulsory statistics.

Disregarding the political aspects of this situation, the big item of news is that the *Gazette-Times* had available to it the arguments advanced by most of those in the business against compulsory. The insurance side of the story got into print nearly as quickly and easily as prominently as the governor's. That would seem to be pretty good insurance public relations.

A distinction many insurance people fail to make is the one between publicity and public relations. It is often thought that after setting up an office and styling its duties "public relations" the performance should be measured by the number of inches of lackluster type concerning the service functions of insurance that are pushed or wheedled into print. Newspapers are seldom so hard up as to welcome that sort of stuff, and certainly the person or organization shoving it at them can't build up a reputation as a reliable, objective source of vital information. Under such circumstances, when an insurance situation arises that calls for elucidation from an insurance quarter, the "public relations" office will be the last the resentful newspaper editor will want to call. If he has interest in the business enough remaining to try to fill out the blank spots, he will have to resort to whatever seems like a good source at the time, chances being that it will turn out to be one with an ax of its own to grind.

There is very little that goes on within insurance to compete with the sort of news dished out as regular fare by daily newspapers. The goal of public relations perhaps should not be directed so much toward attempting to glorify insurance as to justify and explain it when the real insurance story does come along—as with compulsory or fire or auto rate increases, etc. If enough newspaper editors are sympathetic with the insurance cause, having been exposed to a public relations treatment that concentrates on helpfulness and reliability, then when insurance needs a good word it has better than a fair chance of getting it. The editorial in the Corvallis *Gazette-Times* illustrates how effectively and quickly that good word can come into print.—J.C.B.

Personals

An administration bill in the Kentucky assembly calls for a raise of $2,000 a year for four top department heads among them the insurance commissioner. The new salary would be $12,000, and **Cad P. Thurman** would be the first Kentucky commissioner to get this amount. He is retired state agent in Kentucky for Continental of the America Fore group and previously served as commissioner when he was on leave of absence from Centinental in the 1940s.

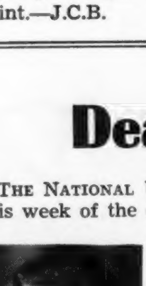
Porter Ellis, partner of Ellis, Smith & Co. agency of Dallas, was recently given feature-story treatment in the Dallas *Times-Herald* as an outstanding insurance and civic worker. Mr. Ellis is a member of the executive committee of National Assn. of Insurance Agents, a past president of Southwest CPCU chapter and of Texas Assn. of Insurance Agents.

J. Victor Herd has been elected a director of National Shares Corp., a closed-end investment company listed on the New York Stock Exchange and managed by the firm of Dominick & Dominick. Mr. Herd is chairman and president of America Fore. He is also a director of Western Electric Co. and a trustee of Hanover Bank and of Bank for Savings.

Manuel J. Espinola has been elected resident vice-president in Rhode Island of Resolute and Resolute Credit Life. He has been a special agent and will continue to serve the companies in Rhode Island and southeast Massachusetts.

Deaths

THE NATIONAL UNDERWRITER learned this week of the death last Nov. 23 of **DAVID F. BRODERICK**, 66, head of the Broderick Corp. and a leading figure in insurance in Michigan for a number of years.


D. F. Broderick

Mr. Broderick made his great splash in 1935 when he secured the insurance on all automobiles sold under retail plans of Commercial Investment Trust east of the Rockies and on all automobiles financed by CIT under wholesale plans throughout the United States and Canada. Most of the business was put in Home of New York, and the volume was an estimated $10 million annually. This marked the inauguration of the requirement by finance companies that automobiles be insured for collision instead of just fire and theft. It turned into a bonanza of such proportions that the daily reports on the business could not even be processed until after they had expired.

Mr. Broderick entered insurance after graduating from college. He was at Hartford and then South Bend, where he first became interested in insurance on financed automobiles, before going to Detroit. He organized his agency in 1928. In 1936 the Broderick Corp. interests organized Dearborn National with capital of $200,000 and surplus of $211,000. At that time Mr. Broderick was also prominently identified with Service Fire and Great Lakes Casualty. Two of the vice-presidents of Dearborn National in those days were C. M. Verbiest and M. Robert Olp, now well known agents in Detroit, and another vice-president was J. C. Ketchum, now head of Michigan Blue Cross.

Mr. Broderick in 1946 purchased an office and professional building at Detroit and titled it David Broderick Tower. In this building he set up the offices of the Broderick Corp. and the other businesses in which he had an interest, including Dearborn Coach Co. which operates Intertown Suburban Lines.

Dearborn National and its affiliated Dearborn National Casualty suspended operations voluntarily after a prolonged litigation raised by a decree of the Michigan department that investments failed to meet provisions of the insurance code. Mr. Broderick contested the department and the state attempted to institute receivership proceedings, but these were terminated when Dearborn National was reorganized. The company is still licensed but is inactive.

M. G. JARREAU, 86, a former agent for Great American in Texas, died in a Dallas hospital after a short illness. A Dallas resident since 1895, Mr. Jarreau started there with Hartford Fire as an office boy. He was north Texas special agent for the company when he left it in 1916 to go with Great American as special agent in the same territory. A member of the executive committee of Texas Inspection Bureau for 20 years, he one time served as president, as well as most loyal gander of Blue Goose International.

MATTHIAS WEBER, 85, an agent at St. Joseph, Mich., for about 40 years, died. He started in business as a partner with the late Anthony Canavan in 1896 and retired in the 1930s.

JOSEPH G. GRAHAM, 63, claim manager for Travelers for 22 years, died in Morgan County Memorial hospital, Martinsville, Ind.

MRS. JENNIE SUE DANIEL, for many years editor of the *American Agency Bulletin*, and following that associate editor of the *Eastern Underwriter*, died at Clearwater, Fla. She formerly lived in Atlanta, following retirement from the *Eastern Underwriter*.

N. PAUL DELANDER, 68, died at St. Paul. He was financial executive of Anchor Casualty and Queen City Fire, and was formerly executive vice-president of First National bank of St. Paul.

NATHAN JOSEPH, 84, who formed a brokerage firm under his own name in New York City in 1909, died at his home there.

EDWIN C. SMITH JR., 44, local agent of Oakland, Cal., died. He is a past president of Oakland Assn. of Insurance Agents.

HAROLD R. CHOATE, 58, safety engineer of Employers Liability at Newark, died at his home in Belmar, N. J. He had been with the company in Newark 30 years.

MARVIN L. BROWNLOW, 66, retired vice-president and general manager of Underwriters Salvage Co. of Chicago, died at New Port Richie, Fla. Mr. Brownlow joined Underwriters Salvage in 1938 after previously conducting an independent salvage business in Springfield, Mo. He gave up the

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SAN FRANCISCO 4, CAL.—582 Market St., Tel. Exbrook 2-3054. Richard G. Hamilton, Pacific Coast Manager.

CHANGE OF ADDRESS

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duties of general manager in 1954 for reasons of health, and retired from all participation the following year. During his tenure, Underwriters Salvage expanded from a one warehouse operation to two warehouses and branches in six cities.

N. Y. Agents Criticize Auto Commission Cuts And Pick-Up Endorsement

Craig Thorn Jr. of Hudson, president of New York State Assn. of Insurance Agents, and Paul A. Garrick of Medina, president of Mutual Agents Assn. of New York State, in bulletins to members severely criticize the premium pick-up endorsement which the companies have issued to collect the auto liability rate increase—if the courts uphold their request.

Mr. Thorn also discusses the auto insurance market in New York and commission reductions in this field. He urges agents to write their senators and assemblymen that the public is not being served by the department's disapproval of the rate increase because the restricted market condition means restricted coverage in the assigned risk plan for many persons and possible bankruptcy of some insurers. Reduction in commissions to agents and brokers can only result in a reduction in advice and service to the public, he states.

The latest information on commissions, he writes, is that 10 company groups have cut commissions across the board on all passenger classifications, two have gone further and have cut class 3 as well as class 2 to 10%, eight have cut class 2 only, four have made some cuts depending on experience, auto volume against other casualty volume, etc. The other companies are waiting to see what happens. Various companies are trying to reduce their auto writings in the state. Some company presidents say they would like to get out of the state entirely for auto and perhaps the whole country. The lineup at the assigned risk plan's doors continues but evidently has not grown appreciably in the last few days.

There is something of a leveling off at this point, he indicates. But he sees no improvement in the situation until the courts rule on the rate increase. This court decision may come much sooner than anticipated, he suggests.

The provisional rate endorsement which is to be put on auto liability policies beginning March 1 came as a complete surprise, Mr. Thorn declares. Agents were not consulted about it. Agents were informed that the insurance department would never approve it, he states.

The companies indicate that if there is a favorable court decision, the additional or return premium will be effective as of the date of the decision, not back to March 1, that it will be up to each individual company how to handle it, that the branch or home offices will have to do the work of issuing the endorsements and computing the premium, that any change under $2, perhaps more, will not be attempted.

Agents believe this is the worst possible public relations program for the business, that it leaves bureau companies wide open to direct writer competition, that it is unprecedented in the state to change a premium in midterm, that there is some question as to the legality of it, that it means a tremendous amount of book work for both agent and company, and that it may cost a company more to handle it than it gets back in additional premiums. Some agents have suggested that the companies do all the work, bill insured and keep the commission involved.

Urges No Immediate Action

Mr. Garrick urges that mutual agents take no immediate action on the new provisional rate and premium endorsement, under which additional premiums will be collected if the bureaus win their court fight for higher auto liability rates. The memorandum was in response to many letters from members protesting the endorsement.

The endorsement is now a legal part of every auto contract issued by the bureau companies, Mr. Garrick states. Refusal to attach the endorsement would violate the law. It says the policyholder may be called upon to pay an additional premium during the policy period. The association advises agents against drastic action at this time, particularly action in concert.

Mr. Garrick said it is logical to assume that collection of very small amounts would prove unprofitable, and that insurers are not apt to do it.

Following study of the endorsement the association executive committee observed that the endorsement involves work and expense and damages public relations. In 50% or more cases there will be no reaction, but many clients will forever question "our integrity if we don't explain the endorsement and question our intelligence if we do." The association violently objects to bureau action involving companies and agents without prior consultation.

The independents will capitalize on the endorsement, the association believes.

Some company executives argue that a similar endorsement was used successfully in Massachusetts. But Massachusetts is free of competition of three major independents, has a common expiration date, all companies use the same rates and all companies writing all the business were involved, the bulletin states.

The cost of billing and collecting these premiums, together with the ill will created, will far outweigh the relatively modest amount of net premiums the companies will get, Mr. Garrick states. The companies need money, and agents tried to assist them in the fight for rate relief. However, no mutual company doing business in New York is approaching insolvency, the bulletin declared.

Stocks

By. H. W. Cornelius, Bacon, Whipple & Co., 135 S. LaSalle St., Chicago, Feb. 25, 1958

	Bid	Asked
Aetna Casualty	136	140
Aetna Fire	56	57½
Aetna Life	176	180
Agricultural	26	27
American Equitable	31¼	32½
American (N. J.)	24	25
American Motorists	9¾	10¾
American Surety	15	16
Boston	29	30¼
Camden Fire	30	31
Continental Casualty	77	78½
Crum & Forster com.	49	51
Federal	38	39½
Fireman's Fund	53	55
General Reinsurance	47	48
Glens Falls	29	30
Globe & Republic	16¼	17¼
Great American Fire	33	34½
Hartford Fire	157	160
Hanover Fire	38	40
Home (N. Y.)	40	41
Ins. Co. of No. America	97¼	99
Maryland Casualty	36	37
Mass. Bonding	32	33
National Fire	78	80
National Union	33¾	34¾
New Amsterdam Cas.	43	45
New Hampshire	38	40
North River	33	34½
Ohio Casualty	21	22½
Phoenix Conn.	64¾	66
Prov. Wash.	14½	15½
Reinsurance Corp. of N.Y.	13	14½
Reliance	39	41
St. Paul F.&M.	46½	48
Springfield F.&M.	45½	47
Standard Accident	46	48
Travelers	75½	77
U.S.F.&G.	65	67
U. S. Fire	24¾	26

COMMENTS TRENDS OBSERVATIONS

Executive Tells Why Insurers Don't Credit Rate Young Drivers

A company executive sent the following letter to an agent in answer to an inquiry about credit rating of drivers under age 25:

The fundamental error of the agents lies in the belief that it is possible to "experience rate" a single car or a single driver. The whole principle of insurance is based on spreading of the losses of a few among many, and when we try to rate each risk individually on the experience of that one risk we destroy the base upon which insurance rests. The agents suggest a reduction in rate be allowed for a young driver who has had no losses for three years. Does this really prove anything? He and a lot of others like him might have a perfect record for even more years than three and still be involved in costly losses during the remaining years of the period before they reach the age of 25.

Example Of 20% Credit

Automobile underwriters usually consider that 15% of the drivers cause all the accidents, but the men in our office feel that this ratio is too low for the young drivers and they estimate that at least 25% of that class are involved in accidents. It is our best guess that if a reduction were made to drivers with no accidents for a period of three years, probably 75% of the risks would qualify for the reduced rate. In order to be attractive the reduction would have to amount to something, so just for the sake of argument, let us assume a plan is instituted under which the driver with a no accident record for three years receives a reduction of 20% in rate. We will start with 100 cars in Atlanta for a premium of $122.40 each which will produce a total of $12,240 in premiums. If we allow a 20% reduction on 75% of the risks, the amount of such reduction will be $2,448, every dollar of which would have to be collected from the remaining 25%, since the premiums produced by 100 cars is none too high to pay the losses which may be expected to grow out of 100 risks. This means that if the present rate level is correct, then any reduction to one group of assureds must be made up by increased charges on the remainder of the group. In the example, $2,448 would have to be collected from those 25 risks which did not qualify for the reduced rate. A little arithmetic will show you that the increased premium which must be collected from each is $97.92, which will put the cost of protection to those 25 on an almost prohibitive basis.

It would be fine if we could pick out the 25 who are going to have claims and eliminate them entirely, but we don't feel that anyone is smart enough to say which of a group of young drivers will turn out to be the ones who produce the claims. As a practical proposition, they all start about even, and who can say which ones will be cautious and which will be reckless? Our own experience is that "boys will be boys" and that any of them will at times take unnecessary chances. Some of them escape with no accidents, but a certain percentage wind up in an accident, and we don't think the agent who wrote the letter or anyone else can tell us in advance which of any group will ultimately produce claims. And this line of reasoning is not confined to young drivers because if you take a group of 100 mature drivers none of whom have previously had an accident, you can be sure that some of them will be involved in accidents and no one can determine in advance which it will be.

We are afraid the argument that young drivers would have an incentive to drive carefully if they knew it would reduce their insurance premiums is fallacious. We do not think that there was ever a young driver (or an old one either, for that matter) who considered at the moment that improper driving might ultimately increase his insurance rate or that safe driving might ultimately reduce it. About the only consideration which constrains them is proper regard for the rights of others and the realization that if they take unnecessary chances they may kill or severely injure themselves. Expressed a little differently, when a man drives safely it is for reasons which have nothing to do with the probable future cost of insurance.

We are not writing this letter for the purpose of starting an argument, and we do not expect a reply, but many agents fall into the same fundamental error as does your correspondent, and we think it worthwhile to point out that their arguments must fail because they are based on the wrong premise.

—

Inadequate Cover, Split Amounts, Harm Insured And Agent

J. Theodore Burke, executive secretary of Massachusetts Assn. of Insurance Agents, writes in a recent issue of the group's Bulletin:

Are you short-changing your clients? Your companies? Yourself? You may be doing just that if you let any policy go out of your agency without giving at least a few minutes' thought about its adequacy under today's conditions. Not just its adequacy for the insured, in terms of insurance to value, either. You and the company have a stake, too.

No one knows any better than successful insurance agents about the increased costs of operating any business today. Insurance companies, hard pressed by disastrous underwriting results, are frantically seeking economies on the expense side, and this search has brought some drastic steps.

In the automobile field, there have been commission reductions on cars

(CONTINUED ON PAGE 34)

Sees Need Of Insurer Ads In Newspapers If Business Is To Get Support There

George H. Menefee, management consultant to insurers at Baton Rouge, comments in a recent issue of Louisiana Insurance Digest:

Newspapers continue to be ignored by the insurance companies in their advertising programs. The result is likely to be costly to the insurers. It is a situation that should be corrected, and soon.

The companies, especially the agency companies, spend a fabulous amount of money on magazine advertising, but next to nothing on newspaper layouts. As a consequence, when the companies need help on legislative matters or rate changes, the newspapers are naturally suspicious. And the magazines can furnish no help.

More Mileage In Trade Magazines

The amazing thing about the whole affair is that anyone who has been in the insurance business a week or more realizes the average insurance buyer doesn't know one from the next when it comes to picking companies. The insurance buyer picks the agent and the agent picks the company. If the insurance companies are hell-bent on magazine advertising, they would get a lot more mileage from their dollar in the trade magazines. Except for the direct writers, advertising in the big national magazines is effective principally with the agents. The effect is the same in the trade magazines, and the rates are lower.

If you doubt the loss resulting from the lack of newspaper ads, take a look at any daily paper. We have been checking them for over a year now. Institute of Life Insurance runs a large ad about once every quarter. In the Louisiana newspapers the institute gets a press release placed about once every two weeks.

On the other hand, the agency fire and casualty companies buy hardly one ad per year, usually on an individual company basis when they run a special campaign. Any one of these companies that can place one press release per year is doing a better than average job.

—

Suggests Trust Fund For Huge Awards

The tremendous award last month of $600,000 to a Chicago youth for injuries received in an explosion has promoted a suggestion from an agent in Illinois that there should be special consideration given to such cases.

The agent points out that in this case, if the youth dies, the parents stand to have a large monetary gain, probably greater than both of them could earn in their lifetimes. It would seem, he continues, that where such awards, which certainly contemplate a normal longevity for the individual, are made, they could be in the form of a trust fund from which a stated amount could be withdrawn annually for each year of the person's life. If the individual does not survive for the normal life expectancy, the residue in the trust fund could revert to the insurance company or the self-insurer involved.

This was Frankie's Market, a block-long shopping center in Lodi, N. J., which for the second time in six months was totally destroyed by fire. The building housed some 250 business establishments. The total loss, building and contents, will run around $1,500,000. The loss was first reported as uninsured. However, the building was insured for $285,000 under binders, and about 200 of the businesses also were insured, some of them in London Lloyds. General Adjustment Bureau is handling the building loss and some of the contents losses. Last July the building was destroyed by a fire set by an arsonist who was sentenced to prison for the crime just two days previous to the new fire. The prior loss was set at $1 million. The building was rebuilt and again opened for business last November.

Nw Mutual Gives Report On 1957

Northwestern Mutual of Seattle had net premium income of $54,286,376 in 1957 and paid dividends to policyholders of $4,395,009. Alfred Rode, chairman, said the company had a better experience than most insurers, having put stricter underwriting controls into effect at the beginning of the year. Surplus to policyholders was $21,176,162 as compared with $22,033,923 the year before. Unearned premium reserve increased by $2,161,981 to a total of $40,515,773, and loss reserves were increased by $2,074,980.

The executive committee, commenting on operating results, noted that in the automobile field inflation has been particularly damaging. The cost of repairs have mounted, medical costs have risen, and jury awards are "overly liberal" in many cases. It was noted that a popular car in 1939 cost $910 and in 1957 the same make went for $2,625, an increase of 200%, while insurance for the car went from $74.50 to $115.65, an increase of only 55%.

Agency Management Seminar To Repeat

The agency management seminar conducted by L. J. Ackerman, dean of the school of business at the University of Connecticut; R. J. Layton, vice-president of Rough Notes Co. and Fred J. Flynn Jr. of F. J. Flynn Associates, Garden City, N. Y., will be held again this year at Sagamore Lodge, N. Y., the week of May 26. The first one, held last year was attended by 68 agents and brokers from 28 states and Canada. This year's seminar is limited to 50 registrations.

Will Use Workshop Discussions

The seminar follows the plan of demonstrating effective techniques by way of small workshop discussions. Morning sessions consist of 50 minute lectures by four faculty members. Afternoon sessions are broken up into three groups for practical discussion of the morning's presentations. There are, in addition, informal evening discussions with each day's faculties serving as leaders.

The program is designed for owners or operating heads of production firms and other key personnel. There is emphasis on case histories and the experience of those who attend the seminar.

List Seminar Subjects

Among the subjects to be treated are the form of business organization, perpetuating the agency, profit sharing, solicitor agreements, valuation and purchase of an agency, problems of agency partnership, and agency cost control.

Also, expense analysis, new procedure developments, effective collection methods, customer account analysis, servicing an account, risk management, corporate insurance management, the management consultant in agency work, effective advertising, etc.

Sagamore is one of three Syracuse university campuses in the Adirondacks and is the former summer home of Alfred Vanderbilt.

In addition to Messrs. Ackerman, Layton and Flynn, the faculty will have also a management consultant who specializes in insurance work with agencies and companies and an insurance agency advertising specialist.

N. H. Fire Improves Underwriting In 1957

New Hampshire Fire group—New Hampshire, Granite State, and American Fidelity—had an underwriting loss of $422,871 in 1957, compared with one of $2,590,976 in 1956. Policyholders surplus declined $1,887,058 to $21,193,058. In 1956 surplus declined $667,362.

Written premiums were up $3,198,419 to $36,822,939. This results in increasing unearned premium reserves $1,244,093, to $28,251,048.

For all lines the earned to incurred loss ratio was 58.9, compared with 64.5 in 1956; the loss expenses incurred ratio was 40.9, compared to 41.5, and the combined ratio was 99.8, compared to 106.

Investment income in 1957 rose $42,158 to $1,643,712.

Underwriting loss reduced this to operating income of $1,220,841. Federal income tax refunds of $118,341 increased this figure to $1,339,182, compared with an operating income loss of $1,028,219 in 1956. Assets declined $239,111 to $71,500,243, reflecting lower security prices. Portfolio appreciation declined $2,356,944, compared to a decline of $264,915 in 1956.

Shatterproof Glass Has New Movie On Windshields

Shatterproof Glass Corp. has completed its second film, "Reducing Windshield Worries," showing the common types of damage that can occur on automobile safety glass and explaining how insurance personnel can identify and classify these damages. The movie points out that when the Shatterproof windshield replacement guide is followed, some windshields do not require replacement since the minor damage on them does not impair safe driving vision.

"Reducing Windshield Worries" is a follow-up to Shatterproof's first insurance film, "No Second Break." This first movie showed how a guaranteed installation could insure policyholder satisfaction and still eliminate costly re-breakage claims to save insurers unnecessary expense. "Reducing Windshield Worries" shows when and why an installation should be performed for the safety and satisfaction of policyholder and insurer.

Showings of the film can be arranged through Shatterproof Glass Corp., insurance division, 4815 Cabot avenue, Detroit 10.

Accident & Sickness

Describe New Method Of Certification Of Group A&S Plans

New procedures which have resulted in greater economy and efficiency of operation in certifying employe and dependent coverage in group A&S plans were described at the annual group forum in Chicago, sponsored by Health Insurance Assn. Discussing these procedures were H. E. Bliss, group underwriting manager, Employers Mutual Liability of Wisconsin, and Loring P. Gillespie, group manager, Fireman's Fund.

Mr. Bliss reported that his company utilizes a standardized combination announcement booklet and employe and dependent certificate, both appropriate for regular group health policies and major medical expense insurance. Previously separate units, the combined booklet and group certificate has been approved by all states, and has won the "ready acceptance" of the company's field force, and the policyholders, he said. Branch offices, he added, have found that the new system speeds up the policy issuance time on large risks.

Cost No More Than Old System

Costs of the combination booklet-certificate are no more than the total expense of the certificate alone issued under the old system, Mr. Bliss said, attributing the saving to being able to pre-print in volume a large number of standardized pages.

Conversion to the new system, he said, requires development of a method of revising booklets, whenever coverage and rates are amended. He declared that his company has met this problem by forwarding the new pages to the policyholders with instructions to advise employes to replace obsolete pages. When the employer is reluctant to assume the clerical expense of updating the booklets, he said that his company either requests return of outstanding booklets or has the group representative make the corrections for the policyholder.

Describes New Certificate

Describing the new group certificate and enrollment kit developed by Fireman's Fund, Mr. Gillespie emphasized the "saving in the cost of operation without sacrificing either quality or service." Initial printing costs, he declared, have been cut by approximately 70%.

"Such savings are especially valuable in tailoring plans for smaller groups where in the past it has often cost as much as one or two months' premium just to place the risk on the books," Mr. Gillespie pointed out.

The completely revised certificate, he explained, consists of single insert sheets for description and provisions of each type of coverage. The separate page for each coverage helps the insured better understand his policy. The sheets are pre-printed in quantity in conjunction with a certificate cover which is also standardized, with the exception of the name of the employer, policy number and schedule of benefits. This facilitates delivery of the certificates, he noted.

The time-saving factor on delivery —from a month previously required to less than a week—led directly to the development of the group enrollment kit, according to Mr. Gillespie. He said the kit with specimen certificates, employer's letter and enrollment cards, provides all of the information necessary for the employe to "make an intelligent decision on the coverage."

HIAA Slates First Methods Forum For March 10-11 At N. Y.

Health Insurance Assn. of America will hold its first annual methods and procedures forum March 10-11 at the Biltmore hotel in New York.

Topics to be discussed in panel sessions, workshops and individual addresses will include various approaches to the organization and functions of planning for A&S, work simplification and methods improvement, the HIAA statistical plan, various approaches to premium billing and accounting and allied activities in individual and group A&S and individual and group insurance administration.

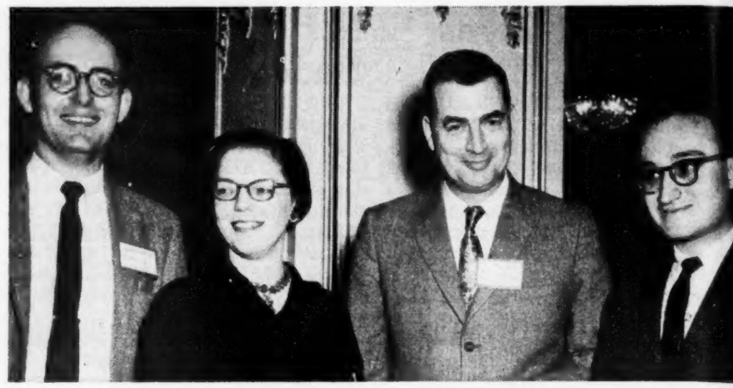
The meeting will be opened at 9:30 a.m. March 10 by Hilton H. Campbell, vice-president of Republic National and chairman of the methods and procedures committee. He will introduce Robert R. Neal, general manager of HIAA, and J. Henry Smith, underwriting vice-president of Equitable Society, president of HIAA.

Laing Is Luncheon Speaker

Charles B. Laing, vice-president of planning and development of Prudential, will speak at the March 10 luncheon.

A forum subcommittee developed the program. Members are Hugh F. Hughes, manager of group administration of Nationwide Mutual, chairman; John J. Egan, group administration manager of Home Life, and Burgh S. Johnson, administrative vice-president of Guardian Life. Mr. Hughes will preside at the March 11 general session.

A. V. Hvale and Walter Foody of Continental Casualty and T. W. Swann of Pilot Life at the HIA group forum at Chicago.



Harvey Saffeir, Travelers, Mrs. Richard Daskais, former publisher of Insurance Graphic, G.A. Reynolds, Travelers, and Mr. Daskais of Warner-Watson Co. Inc., pension consultants and actuaries, are pictured at the group forum held by HIA at Chicago last week.

Claim Men Hear Life, A&S Claim Panel

Problems in handling life and A&S claims were discussed at the February meeting of Chicago Claim Assn. by a panel answering questions submitted by members in advance.

Contestability is one big problem in handling life claims, Fred H. Kemp, Prudential, stated in his opening remarks on ordinary life. Until recently, he said, it has been necessary in Illinois to prove intent to deceive in addition to material misrepresentation in a policy application in order to contest a claim. This was changed by a decision in the case of Campell vs Prudential which stated that proof of material misrepresentation alone is sufficient.

Before answering specific questions on group A&S claims procedures, Robert J. Poblocki, Lumbermens Mutual Casualty, described some of the differences between group and individual contracts which might cause claim difficulties, maintaining that group has fewer exclusions, there are generally no waiting periods except for maternity benefits, and past history is not a factor. There is seldom a question of over-insurance on group, and major medical is the only group coverage where over-utilization may become a problem, although a deductible reduces this danger somewhat, he added.

Describes Dental Rider

Elmer J. Rasmussen, Continental Casualty, described the dental surgery and administration of anesthetics rider recently added to Continental A&S policies as an example of how handling of claims sometimes leads to changes in a company's underwriting practices. He said that Continental, and undoubtedly many other companies, has been honoring claims of this type for some time before the rider was issued.

Kenneth C. Berry, Lumbermens Mutual Casualty, president of the association, was moderator for the panel.

Ind. Fire Prevention Assn. Elects For '58

Indiana Fire Prevention Assn. held a double election at its February meeting. The first was to replace Kenneth Miller, vice-president, who transferred to Kansas. The other officers moved up one chair each—Warren Bess to vice-president, John Kirby to secretary-treasurer; and William Hull was elected assistant secretary. The second election was for 1958 officers, and again the present officers moved up one chair, and Robert Adams was elected assistant secretary.

N. Y. A&H Club To Hear Report On Legislation

William S. Thomas, associate actuary of Metropolitan Life, will give an up-to-date view of "Legislative Developments in Health Insurance" to New York Accident & Health Club at a dinner meeting March 4.

Mr. Thomas will discuss current legislative measures on both the state and national levels, with particular attention to the Forand bill before Congress and the Harriman and Metcalf proposals before the New York legislature and their possible far-reaching effect on the A&S business. He is responsible for the actuarial aspects of Metropolitan's group underwriting and premium rates.

S. C. Bars Insurers From Settling Death Claims In Merchandise Or Services

Under a bill passed by the South Carolina legislature and forwarded to Gov. Timmerman, for his signature, insurers are prohibited from settling death claims made under policies written in that state with merchandise or services.

First introduced at the 1958 session of the legislature, the measure applies to all life, endowment, A&S or hospitalization policies. As a penalty against any insurer violating the prohibition, the measure allows a policyholder or legal representative of a beneficiary to collect, through lawsuit, 10 times the amount of the policy.

The measure also provides that officers or agents of the violating company will be guilty of a misdemeanor, conviction of which will carry a maximum fine of $1,000 or one year's imprisonment.

Irving G. Wessman, secretary of Loyalty group, and Mrs. Wesman shown at the HIA group forum in Chicago.

Says Company Troubles Are Not Over Yet

(CONTINUED FROM PAGE 9)

dustry, good insurance agents in Missouri and elsewhere have, with exceptions coincident with catastrophes, consistently served their clients well, the companies they represent have retained a fair per capita share of the attainable business and both company and agent have made a fair profit on the business of these agencies.

"There is just so much that the company can do", he emphasized. "The rest is always in the hands of the independent American insurance agent. And he can do wonders if he will. We must not let him disappear from the American insurance scene."

In conclusion, he challenged his listeners to be truly risk managers rising to the obligation to sell selectively to their clients from a full line of insurance security wares; to insure the large loss—insure to value—not just the amount that is easy to skim off; to be truly fiscal insurance managers, both for the client and the company—collecting wisely—remitting promptly. "Will you strive to give your companies good business—following always the ancient admonition to 'let rogues be their own underwriters'? Will you continue to band with other good insurance people to the end of inspiring fair industry practices, enlightening public relations, fair regulations, proper rates, logical commissions?"

Roddy Retires After 37 Years In Adjusting

John M. Roddy, general adjuster in the northwest territory for General Adjustment Bureau, has retired. He entered insurance in 1920 as an associate in the A. T. Roddy & Co. adjustment firm of Des Moines, two years later going with Underwriters Adjusting in Chicago, and in 1924 joining Pacific Coast Adjustment Bureau, the predecessor of GAB, at Seattle. He was manager at Tacoma for six years and then became manager of GAB at Seattle in 1938, and in 1946 was appointed general adjuster.

'Privilege' Bill In S. C.

Insurers are interested in a bill introduced in the South Carolina legislature that would provide that communications between the physician and his patient shall be privileged. No physician or patient would be required to disclose any communication by one or the other while the relationship of physician and patient exists. The bill was referred to the judiciary committee.

Urges Local Agency Tie In Ads With NAIA Program

(CONTINUED FROM PAGE 4)

to your community, and you will also project yourself to clients and prospects as the agent to see when they need specific coverages like the modern package policies applying so aptly to person, dwelling or business. Don't neglect the themes of increased values and the need for adequate insurance across the board."

But, above all, he emphasized, "before you embark on advertising, consult your company advertising men and have them assist you in charting a course that will get you safely to the profitable port for which you are steaming."

Advertising is a recognized part of modern business, he observed. It multiplies many times the agent's personal efforts and enables him to spread the gospel of insurance that much further and faster. But in the fire and casualty business advertising is not the be-all and end-all of successful selling.

"It has always been an accepted sales principle that, all things being equal, the salesman who makes the most calls per day (closings being on the average) makes the most sales. Of course, a local agent's working day is regulated by the number of hours he can see people. However, if he will gear advertising to his agency needs along production lines, he can get the most out of his advertising program and expenditures through backing up those efforts with personal calls. Advertising and the agent himself must work as a production team. Properly coordinated advertising will help him fit in an extra call or two each day, thus enabling him to make six or 12 additional calls per week. The result, all things being equal, will be extra sales."

Seeks N. Y. Law To Ban Auto Cover Cancellation

Edward Cirlin, president of the Kings County Insurance Brokers Assn., has prompted introduction of a bill in the New York legislature to make it illegal for an auto liability insurer to cancel or refuse to renew a policy unless for cause. Cause would constitute paid losses, misrepresentation, non-payment of premiums, or revocation of driver's license. He said many insurers are refusing to renew and are cancelling auto policies en masse "for no apparent cause," forcing insured into the assigned risk plan where his protection is less and premiums higher.

New Auto Policy Saves On Preparation Cost

(CONTINUED FROM PAGE 10)

owned automobiles be included, otherwise the policy must be endorsed. The new Donegal form limits the coverage to the owned automobile(s) described in the policy or replacement thereof or a newly acquired automobile, providing the company is notified within 30 days. In a sense, this is more restrictive than the bureau form, Mr. Margraff comments. But Donegal Mutual's experience is that the agent prefers this method to assuming the responsibility of determining in each instance whether or not there are other owned cars, perhaps insured elsewhere.

"Our biggest problem in the agent's office at the moment seems to be created by the fact that the simplicity of typing the new policy form results in his using it where family coverage is not applicable. We have had many favorable comments on the policy format itself from our agency force.

"The elimination of endorsements is one of the big improvements we notice at the home office. Only rarely is an endorsement required. This considerably simplifies checking, and accounting procedure, speeds up our filing operation, and saves on filing space since the daily is not cluttered up with endorsements. Prior to this policy format I would estimate that more than one out of three policies carried some form of endorsement at inception date even before the present family coverage endorsement was used."

According to Mr. Graves, several features of the new Donegal Mutual format are original. Among the unusual and original features are:

Complete text of family protection (uninsured automobile coverage) included within letter size policy jacket. No separate endorsement need be prepared, pasted or attached for either premium amount or coverage text. All typing completed within simplified declarations form.

First known complete two car-identification card including full description of two cars and all related requirements in fullest possible form within standard size. Prepared without second typing of description or other data.

Complete company record (3x5) card including two car basic underwriting information. Also prepared with the one typing of original declarations.

Simplified direct preparation of certificate of insurance providing insured with complete copy of original policy. Also prepared through the nonrepetitive typing of the original declarations.

Installment premium endorsement incorporated unobtrusively into declaration forms. Eliminates separate preparation and pasting of this endorsement to all copies and considerably simplified processing of company daily.

Exceptionally complete home office daily report copy with provisions for installment premium coding by line and payment date, planned regular coding area, interim changes and greater record area for all processing.

Includes Underwriting Information

Confidential underwriting information included on front of dailies. Prepared through the one typing of declarations. Devised to avoid embarassment to insured as it is not included on delivered policy or certificate.

Loss payable endorsement is part of regular declarations and certificate without customary extra handling and attachment of this form.

Rating data included in original typing that completes operating dailies without need of reference to or attachment of separate work forms.

Center-margin design principle further reduces typing time by confining all work to right half of declarations form.

Other features include two color printing throughout, art work and typography, deep score embossed for accurate folding of completed policy or certificate, improved working version of terminal digit numbering, and planned quality printing and carbon snapset convenience.

A further advantage of the integrated endorsement principle is the reduction in processing of interim endorsements that might be overlooked at the time the policy was issued. These represent a hidden extra operating expense at every level.

The new format eases the routine for agent and underwriter alike.

Donegal Mutual, an agency company, entered the casualty field in 1954.

Darby Heads L. A. Adjusters

Adjusters Round Table of Los Angeles has elected George E. Darby, Chubb & Son, president; R. R. Holdeman, Travelers, vice-president, and Frank Butler, Royal-Globe group, secretary-treasurer.

Promote Jenkins To Pacific Secretary Of America Fore Loyalty

America Fore Loyalty group has promoted George E. Jenkins to secretary of the Pacific department at San Francisco. He has been assistant secretary there since 1955. He joined Loyalty group in the home office accounting department in 1934. Transferred to the Pacific department in 1941, he was appointed chief accountant there in 1945.

U.S.F.&G. Appoints R. L. Johe Actuary

U.S.F.&G. has appointed Richard L. Johe as actuary, succeeding Arthur S. Kuenkler, vice-president-actuary, who has joined Security of New Haven as executive vice-president.

Mr. Johe joined the company as assistant to Mr. Kuenkler in 1949, and was appointed assistant actuary in 1954.

Fiebiger Named At L. A.

LOS ANGELES—Lee Fiebiger has been appointed assistant manager here for Massachusetts Bonding in charge of the fidelity and surety department. Walker Seaborn, for many years superintendent of the fidelity and surety department, will continue in that capacity as assistant to Mr. Fiebiger.

Motorists Mutual Names Two

Motorists Mutual has appointed Moss Ellis as manager of the automobile underwriting department and Robert Cowan as assistant sales manager.

Mr. Ellis became an underwriter for Motorists Mutual in 1952, and since 1956 has also been the company's announcer for the Edward R. Murrow "Person to Person" show.

Mr. Cowan became an agent for Motorists Mutual in 1948. He was named sales manager for northeastern Ohio in 1951 and for the Pittsburgh district in 1955.

Mich. Agents Hold Lively, Successful Midyear

(CONTINUED FROM PAGE 1)

would appear to be first in the number of those taking active part in association affairs.

The enthusiastic, alert outlook of the younger agents is matched by the apparent willingness of the veteran members to take whatever steps are necessary to maintain and improve the position of the agency system. The Michigan agents' association is one of the strongest and most active in NAIA, having one of the most capable secretaries in the country, W. O. Hildebrand; an assistant manager, Jack Butterick, who is capable of performing as manager of most associations, and a membership that is one of the most elite in the U. S.

One of the best demonstrations of the potency of this organization of agents is the fact that Michigan has had for two or three years a most vocal proponent of compulsory automobile insurance stumping the state, but he has been unable even to get a bill out of committee, and he admitted before the agents last week that the UJF bill presented to the current legislature probably will not get to the floor principally owing to the efforts of the agents.

Michigan was one of the last states to begin active solicitation for contributions to the NAIA advertising campaign, but in his midyear report, President Russell Worgess of Battle Creek said the state has raised 74% of its quota and is in seventh place nationally, better than New York, New Jersey, Pennsylvania, Illinois or Ohio.

Fifth To Praise Hildebrand

Mr. Worgess gave his report on the second day of the meeting, and so found himself about fifth in line of those praising the work of Mr. Hildebrand in selling the insurance story to members of the governor's commission to study problems of the uninsured motorist. This commission was set up at the instance of the secretary of state, James Hare, who is the chief stump-thumper for compulsory, and it was expected that the commission would be a sounding board. However, it turned out that there were three reports issued and the conflict of philosophy was so obvious that Gov. Williams has made no recommendations for legislation, and the UJF bill is the only one on this question to be presented to the legislature and it is not sponsored by the administration. Mr. Hildebrand, together with Judge William Burke of the Municipal court at Battle Creek, upheld the voluntary approach, and the Burke report, advocating the uninsured motorist endorsement, stringent enforcement and better safety measures, was supported by the association in a resolution adopted at the business session.

Fight Compulsory And UJF

The association has fought against compulsory, Mr. Worgess pointed out, but it has not been simple to object to UJF. "It is no secret that within the ranks of our own membership there has been considerable sentiment for such a fund," he admitted, but in refusing to support either compulsory or UJF, "we believe we have been right and can now justify our original position, at least in the eyes of the company organizations and our membership." He noted that the governor of New Jersey has protested that UJF is not performing satisfactorily and must be supplemented by compulsory and a statutory assigned risk plan. In New York the governor says compulsory is not enough and must be supplemented by UJF. This, Mr. Worgess declared, proves that compulsory and UJF are inseparable—where one exists the other must follow.

The officers and executive committee and conference committee members had dinner and held a planning meeting Wednesday evening before the convention got under way. Guests at this gathering included Commissioner Joseph A. Navarre of Michigan and Judge Burke. As is customary, Mr. Navarre spoke briefly, mentioning in particular the recent meeting at Chicago of some leaders of NAIA and National Assn. of Insurance Commissioners. He said this group discussed problems of insurance from the point of view of the agents. It was a good meeting with a wide range of honest discussion. Mr. Navarre said he was proud of Michigan during these discussions because many of the problems of other states had already been solved by Michigan—"Michigan had found answers that others were just beginning to look for."

The commissioner said the self-regulation that is provided by the agents' association has put Michigan in the forefront by setting up standards of conduct at exceptionally high levels.

Auto Legislation Ready

Judge Burke, who had the distinction of being the first to heap praise on Mr. Hildebrand for his efforts in forestalling compulsory insurance, said the legislative content of the so-called "Burke report" growing out of the compulsory study commission has been put in the form of legislation that can be introduced whenever the compulsory picture gets serious. This is a handy item to have in the hip pocket, he commented.

The agenda for the first session included the showing of a film on automobile insurance, an address by Carl L. Strong of Michigan State University, and the big feature of the day, the address by James M. Hare, Michigan secretary of state, on "The Uninsured Motorist Problem."

Mr. Hare said he has both personal and philosophical reasons for backing compulsory, but during his talk it developed that the play in 1958 will be for UJF.

He said he urged the governor to set up the study commission and was responsible for the appointments to it. All viewpoints were represented, and the proof of this is the fact that three separate reports were produced, one favoring compulsory plus UJF, one favoring UJF only, and one calling for better enforcement and safety measures (the Burke report).

At the deadline for filing bills in Michigan, Mr. Hare said, an unsatisfied judgment fund bill was introduced patterned after the act in New Jersey. It would require certificate of insurance or a payment of $10 to the UJ fund. Insured motorists would put in 25 cents per head. Insurers would contribute 0.5% of premiums.

Demands Of Society To Be Met

Mr. Hare asserted that society has reached a point that when demand for such a social measure arises it is inevitably met. The opposition often objects on the grounds of the state entering the business or that government bureaucracy cannot do a job as well as private enterprise. These objections have some validity, Mr. Hare admitted, but there is a problem that has to be met. If 10% of the Michigan drivers are not insured, he said that would amount to 370,000 drivers. These are poor insurance risks admittedly, but it is for that very reason that protection against their actions is needed.

Five years ago there were 833,000 unsatisfied judgments in Michigan, and last year there were 1,700,000, Mr. Hare said, not counting those persons suffering financial loss because of uninsured motorists who didn't take the matter to court.

Mr. Hare got off on a surprising tack by backing UJF and ignoring compulsory. He said the victims of uninsured motorists or hit-and-run drivers could be taken care of by an unsatisfied judgment fund, and that such legislation is in the hopper. It will probably not pass this year or even get out of committee, he said,

List Program For FUAP Annual, March 5-6

Fire Underwriters Assn. of the Pacific has completed the program for its annual meeting, March 5-6, at the Fairmont Hotel in San Francisco.

Opening day speakers and their subjects will be: Harold Chase, attorney of Weinstock, Anderson, Maloney & Chase, "Trends in Casualty Decisions;" Ivy Lee Jr., public relations director of Insurance Securities Inc., "A Stockholder Looks at the Insurance Industry;" Roger Chickering, president of California Assn. of Insurance Agents, "The Monterey Cost Reduction Conference;" Robert Watkins, president of Sacramento Fire Underwriters Assn., "Thoughts of a Fieldman on Education," and Milford Bliss, Los Angeles city engineer, "Landslides."

Participating in a panel on "Personnel Administration and the Cost Factor" the second day will be William B. Cobaugh, Fireman's Fund, moderator, Russell Archerd, Pearl, William Fuente, Pacific Fire Rating Bureau, and Willard Gray, California State Automobile Assn. Preston H. Kelsey, president of Marsh & McLennan-Cosgrove & Co., will speak on "A Broker's View of the Insurance Industry."

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principally because of the "insurance lobby." However, the proof that UJF is a satisfactory answer is to be found in the change of heart by the New Jersey Assn. of Insurance Agents who in 1951 were circulating material indicting UJF in a scorching manner but who now have a pamphlet favoring the fund and from which Mr. Hare quoted excerpts among which was one saying that UJF has increased the percentage of insured motorists.

Mr. Hare's advocacy of UJF caught the association leaders off balance. Mr. Worgess, who was presiding, had some remarks ready to refute the compulsory argument, mostly for the benefit of a representative of the Detroit *Free Press* in the audience, but he was unprepared to offer an immediate answer to the embarrassing New Jersey statements. He did later, however, point out to the Michigan members that the New Jersey agents have had to rally to the UJF flag in an effort to forestall the addition of compulsory to it.

Mr. Strong, who runs the most efficient and most productive fire and casualty educational system in the country, is entering his 10th year as coordinator of insurance education in the state. The agents' association sponsored the program originally, and now the co-sponsors include Michigan Fire Underwriters Assn. and the associations of casualty and surety managers in Detroit and Grand Rapids.

Relates 'Secrets Of Success'

Several of the "secrets of success" in insurance selling were related by Mr. Strong, who mentioned, among other things, service, high standards, self-confidence, enthusiasm, sincerity, and above all a thorough knowledge of the business and its products.

Wayne D. Sheppard, president of the Dearborn association, presented the film on auto insurance. Entitled "Not Around the Corner," the sound movie is particularly good for use in a driver training course to recite the advantages of insurance, Mr. Sheppard explained, and there is benefit to the agents to be associated with the showing.

E. R. Hurd Jr., superintendent of sales promotion and advertising of American group, was the lead-off speaker Thursday afternoon. His remarks are reported separately. Other talks at this session were given by Lee T. Matthews, manager of Michigan Insurance Information Service; M. B. Simms, director of multiple line development of Continental Assurance, and J. C. Burridge of THE NATIONAL UNDERWRITER.

Mr. Matthews noted that the Michigan agents are giving thought to reviving their own speakers bureau, and he offered the experience and help of the speakers bureau of MIIS in furthering the cause. Pointing out that the speakers bureau fills the need of programming for numerous organizations, most of which are composed of thought and action leaders.

MIIS has 122 members of its speakers bureau who have spoken to groups of from eight to 250 persons under all sorts of conditions. Mr. Matthews commented that the speakers have had to answer all sorts of questions, but this is actually one of the biggest benefits of the program—having experienced insurance personnel cope with criticisms and penetrating questions in a satisfactory manner.

Mr. Simms is the foremost advance man of the life insurance business in the fire and casualty arena. Continental Assurance gets 80% of its ordinary life business from general line agents, but Mr. Simms did not pursue that subject, offering instead some Dutch uncle advice to the agents about keeping on top of the competitive situation and exercising some energy to promote business.

Agents' Abilities Less Evident

The independent abilities of local agents are less evident than heretofore, Mr. Simms said. Many agents are taking their customers for granted instead of developing an awareness of the possibilities of writing business. The agency system, he said, has to prove every day that it is the best method of selling insurance. "You can't sit on your big fat renewals and wait for better days," he declared. He said he preaches the gospel of *selling* life insurance, not waiting for somebody to come in and ask for it.

Mr. Burridge discussed some of the implications of the National Bureau of Casualty Underwriters' survey on automobile insurance marketing, particularly as they pertain to agents who have been keeping abreast or ahead of competition and have not felt the sting. There are producers who, because of their own sales abilities, are not aware that the sufferings and ineptitude of other producers and some insurers are causing changes to come about which on the surface might not seem necessary, he said.

The Michigan association will be incorporated, adoption of this suggestion being the main piece of business enacted at the business session Friday morning.

Other items on the program for that session were the report of Mr. Worgess as president, and a panel conducted by Michigan CPCU chapter on improving the comprehensive liability policy.

Donald W. Dickman, Detroit Insurance Agency, president of the Michigan chapter, introduced the panel, of which the moderator was Robert W. Anderson, General Underwriters of Detroit, and the members were Donald V. Glossop, L. R. Hamann agency, and James Manson, Employers Liability.

Mr. Manson reviewed the declarations and insuring agreements, making suggestions for improvements, and Mr. Glossop dealt with policy provisions. Mr. Anderson explained that the recommendations for improving the automobile and general liability policies originated with the northern California chapter of CPCU and were modified by the Michigan chapter. The suggestions have been sent on to NAIA and thence to the advisory committee of National Bureau of Casualty Underwriters. It is to be presumed, he said, that a more comprehensive CPL policy is in the works, but the results of 1957 don't encourage adoption of broader coverages and more imaginative underwriting. Therefore, it is difficult to offer a date on which changes could be expected.

The final item of business was awarding of prizes to the agents under age 35 who submitted the best definition of "Independent Agent." Robert H. Tappert of Detroit won the $100 prize, and Miss Sharon Schultz of the Grow-Hodges agency, Royal Oak, was second.

Discuss Promise, Problems Of Major Medical

(CONTINUED FROM PAGE 7)

tors and the hospitals. But insurance can only cooperate—the medical and hospital services govern the fees for the general public.

Comprehensive medical expense insurance has left its infancy, but the adolescent period of this newest form of health insurance is far from complete, cautioned Mr. Farquhar.

"Major medical, when used to supplement basic hospital and surgical plans, has demonstrated sound, steady growth and mature characteristics. The single plan comprehensive arrangement, on the other hand, while showing great promise, still needs much additional grooming," he said. Emphasizing the need for a realistic approach to the developmental stages of comprehensive medical expense insurance, he noted that this type of coverage is an example of the health insurance companies' response to constant advances in medical care; however, "we must continually experiment in order to improve our ability to provide coverage at a price the public will pay.

Mr. Farquhar pointed out that if the only objective were to sell more comprehensive today, it would be simple to use an unrealistically low price and to include a substantial amount of first dollar coverage in full. The way to make comprehensive meet its objectives of providing more efficient protection for the premium dollar, however, is to offer plans based on sound principles of the deductible and coinsurance. If the deductible and coinsurance are compromised too extensively, and if the additional price for these compromises is not set at a higher level than increasing incidence rates indicate, the unhappy prospect will be the delivery of rate increases, in many cases, at the first renewal, he warned.

A $50 deductible seems to be best, Mr. Farquhar concluded. "Some pressure has developed to reduce it below this level for lower-paid employes, but to do this makes it difficult, if not impossible, to use an adequate amount for higher-paid employees in higher-cost areas. The deductible must be large enough to prevent practically every employe or dependent from becoming a claimant for every illness, no matter how minor, but low enough so that the protection of the plan commences when the pocketbook has been hard hit."

Inadequate Data Principal Obstacle

Inadequate actuarial data continues to be a principal obstacle to "designing an appropriate premium framework" for major medical expense insurance, Mr. Ashman declared, citing the lack of statistical background as one of several influences complicating the determination of premium rates and a "reasonable assurance of their continuance." Other factors, he said, include disregarding, in some cases, sound underwriting principles, and over-use of medical facilities by policyholders.

Discussing actuarial experience, Mr. Ashman stated that there were "certain components of the structure, such as hospital and surgical expense, where we had some guideposts by which to travel, but the package also embraced types of medical care ... almost if not completely foreign to our experience where we have had to grope in the wilderness."

Further illustrating what he termed unsound underwriting principles, he warned that the tendency to reduce deductibles on major medical policies, or "provide full payment of the first three or five hundred dollars of hospital expense" places the insurance business on "very questionable ground." Noting that many consider such "frills" as necessary to make major medical "more palatable during this period of transition when we are trying to wean our customers away from conventional 'first dollar' coverage," Mr. Ashman continued: "I am fearful, however, that, if we do not watch ourselves, what was intended only as a temporary visitor may become a permanent, though unwelcome guest."

Rate Inadequacies Are Minimized

Mr. Ashman said that rate inadequacies are "considerably minimized" by adjustments from time to time on individual cases, but termed this a "rather poor substitute for the determination of proper rates in the first place."

He underscored the tendency for claim rates to be highest in direct ratio to the cost of medical care in a particular area, and wherever deductibles have been lowered or full payment of hospital expense has been introduced and he emphasized that premium scales must be adjusted accordingly, making claim ratios more uniform from "one cost area or from one specific benefit pattern to another."

1 For 1 Stock Split For Trinity Universal

By amendment to the charter, the par value of stock of Trinity Universal has been decreased from $10 to $5 and the number of shares increased from 250,000 to 500,000, producing a one for one stock split. The company will pay a cash dividend of $1 per share on the new shares, which is in the aggregate the same as last year's dividend.

Trinity Universal and its subsidiary, Security National, had $22,254,727 in net premiums in 1957, an increase of 7.6%. The unearned premium reserve at the end of the year was $19,385,486, up $2,631,810. Investment income amounted to $970,002, compared with $932,639 the year before.

UCLA Insurance Students Bore Into Rate Making

LOS ANGELES—"Some Theoretical Aspects of Casualty Rate Making" were discussed at a seminar of advanced students and graduates of the University of California at Los Angeles insurance course. Among the topics were exposure units with definitions and the question of whether they are essential; equivalence of loss ratio and pure premium methods including mathematical demonstration and contrast of statistics with judgment; credibility, its definition and mathematical characteristics; and loading premiums for expenses with reference to present methods and the assumption and implications of loading principles.

L. M. McKinley To Retire

L. M. McKinley will retire March 1 as manager of the recovery division on the Pacific coast of General Adjustment Bureau. He has been in the business since 1919, starting as an independent. He went with Pacific Coast Adjustment Bureau in 1925 and for three years was at Sacramento and Phoenix. He resigned to go into private law practice in 1929, and returned to GAB in 1936 in Sacramento, and served also as manager at Chico, Medford and Butte. He went to the Pacific coast head office in 1948 as assistant manager of the fire division, and when the recovery division was established in 1955 he became manager of that department.

Detroit Buyers Hear Burke

Insurance Buyers Assn. of Detroit, at their February meeting, heard a discussion "Aims and Purposes of Our National Association" by Peter A. Burke, managing director of American Society of Insurance Management, and Charles H. Thiele, insurance manager of Federated Department Stores, Cincinnati, and vice-president of ASIM.

Interest In General Agency System Is Reviving

(CONTINUED FROM PAGE 1)

field men, accounting and other facilities already in operation. The insurer doesn't have "to buy in," so to speak—set up an establishment and endure a considerable period of losing money until premiums are sufficient to bring expenses into proper relation to volume.

Ten years ago an insurer could go it alone, could establish its own field force and operate with a volume of premium much smaller than is required today, perhaps half. Also, years ago a field man could live on $150,000 of premium. Today it is said to require $300,000 of premium to support a field man.

The amount of premiums an insurer must have in a territory to operate its own field force might vary with kind of business (fire or casualty with casualty costing more), density of population (the sparser the population the higher the expense), etc.

However, it has been suggested that on the basis of both expense and loss ratio, a company writing less than 10 cents per capita will have serious trouble with the expense ratio and, oddly enough, with the loss ratio as well.

That the per capita writing has some influence on loss ratio is indicated by one study that showed that where an insurer wrote less than 4 cents per capita, its loss ratio was above 65. Where the same company wrote almost 15 cents per capita, its loss ratio, incurred losses to written premiums, was under 25; in another territory where its per capita premium was less than 5 cents, the loss ratio was 72, where it was 13½ cents, 48; 17 cents, 24; under 3 cents, 62, and less than 4 cents, 93. In general this body of experience showed that when writings were less than 10 cents, the loss ratio was above 60; when writings were more than 10 cents, the loss ratios were under 50.

3 Insurers Supply Example

The experience of three insurers that write a large volume in their home states (each different), bears out this idea. Company A, which in 1955 wrote 83 cents of premium per capita in its home state, had a five year combined loss and expense ratio through 1956 of 90 for 14 states. Company B, with $1.98 per capita in its home state and heavy per capita writing in all the states in which it operates, had a loss and expense ratio of 93 in eight states. Company C, with $2.35 per capita in its home state, had a combined ratio of 93.5 in 12 states.

The reason for a high loss ratio with a thin volume of premiums is not hard to see. When a company is writing a small volume in a territory, it is fighting the expense factor. Its expense ratio is high. Consequently, it is reaching for premiums; it has to have them to pay the expenses. But it doesn't have enough premiums to be choosy about the quality of the business it takes. As its volume increases, it can be more particular, it can grade up, it can underwrite. The figures above demonstrate this.

Double Expense

As one observer puts it, a company that turns from a general agency operation and sets up its own establishment in a territory, doubles its expense for the same volume of premiums. It then has to compete with other insurers and with the general agency for business, and, as a matter of basic economy, it simply multiplies the total population of field men who have to live off substantially the same volume of premiums.

The smaller sized company, in those territories where it does not have a concentration of business, may not be able to get enough (at least in these times) business fast enough to make it feasible to have its own field force. The general agent has the field staff; it can deliver the premiums. The kind of general agency being discussed here closely underwrites the business in its territory. It has to. It has to because this is the only way it can live. If it doesn't produce a profit for its insurers, it has no other territory to rely upon, it has no other resource.

The executive of one company that is appointing general agents first wants to talk with the general agency's field man, or men; if they are good ones, it is a good general agency; if not, no.

The easiest way to load up with junk business is with inexperienced, inept, unable field men. The quality field man attracts quality business.

Must Underwrite Better

The general agent has to underwrite the business better than the same block of business would be underwritten if it were being produced by the field men of the same insurer. The general agency in general has better field men—it has to have to compete. In general, it operates on a contingent—because it needs it to keep good field men in competition with the big companies. Part of the contingent goes to the field man—and he knows it. He knows he has to do a better than average job in appointing agents and underwriting the business or he won't earn the contingent. The general agent has to underwrite (the local agent may or may not do so).

Thus there is no fiddling by the insurer with the risks presented by the general agent; there is no rejecting, writing of letters, inspections.

The general agent does the accounting for the insurer—he doesn't simply take the account of the local agent and pass it on, leaving the work still to be done by the insurer. He does the collecting, and keeps it on a much more current basis than other insurers, except the most efficient and largest. He gives the local agent capacity. In these times, capacity is one of the most important items anyone in insurance has to sell.

The general agents, some believe, are the only ones who can make multiple line work for the moderate size company. In a sense, the general agency is a pooling device for multiple lines that long has been in operation.

Another thing that has hit the fire companies going into casualty is that in the fire business the company can put on people as it increases business, but in casualty it has to have much of the technical personnel before it can put on any business—so it can handle claims, underwriting, payroll audit, inspection, and safety engineering—but above all, claims.

Some companies argue that they don't own their own business, if they use general agents—but is a company any better off in this respect with the local agent?

It should be made clear that the kind of general agency being discussed here is not the carpet bagger, the one looking for over-riding commission rather than a contingent, but a good one that would compare to a well-operated branch office.

The general agent has had the same management problems in recent years that the insurers have had but being smaller he has been more vulnerable—which, combined with the other developments influencing his existence, has had much to do with the apparent decline in this field in the last few years. He needs young men to give continuity and vigor to his operation. Certainly no insurer wants to tie up with a general agent if the management is not renewing itself and assuring its future with the introduction of young blood. This has been hard to do, as insurers are aware.

The larger companies gave up general agents because they had their own agency plant, or could afford to establish it; they had their own branches—after paying for them. But smaller companies may not be able to do without general agencies.

Very likely the moderate sized companies are going to have to return to the general agencies to develop premiums in new or thin territories.

The prediction is that there will be a slow swing back to the use of general agencies.

State Farm Promotes Three In Tennessee

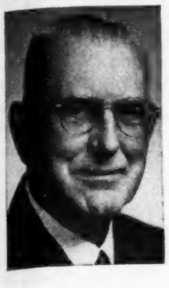
State Farm's new management decentralization plan has resulted in three new appointments in Tennessee: W. W. Billips, Nashville, regional vice-president, and Cecil F. Adam and Landon Greer, deputy regional vice-presidents.

Mr. Billips, who joined State Farm in 1937, was named Tennessee state director in 1949. Mr. Adam has been resident vice-president of the south central office of the company, and Mr. Greer has been assistant state director. Under the new plan, Mr. Billips and his deputies will have both agency and operations responsibilities for the 3-state area served by the Murfreesboro office.

Monmouth County (N. J.) Insurance Agents Assn. at its February meeting heard R. H. Elliott, manager of the general liability division of National Bureau of Casualty Underwriters outline the activities of the bureau and discuss experience rating and rating plans permitted by the bureau but not set forth in the manuals.

L. D. Brill, Former Northwestern Mutual President, Retires

L. D. Brill, former president and recently chairman of the finance committee of Northwestern Mutual, is retiring from active executive and administrative duties. He will continue as a director and will serve in an advisory capacity.



L. D. Brill

Mr. Brill joined Northwestern Mutual in 1910 as a junior bookkeeper and subsequently became secretary-treasurer and executive vice-president. In 1940, he was elected to the board and in 1944 became president. For the past year, he has been on the executive committee and chairman of the finance committee.

Holds Many Titles

Active in mutual association work, Mr. Brill in 1953 was elected president of American Mutual Alliance of which he is currently a member of the board. He is also vice-president of Federation of Mutual Insurance Companies, a director of National Assn. of Automotive Mutual Insurance Companies, on the governing board of Mutual Loss Research Bureau and a governor of Improved Risk Mutuals and has served on the governing committee of Associated Lumber Mutuals for 10 years.

Four Fire Patrol Men Of N. Y. Board Lost In Collapse Of Building

Four members of the fire patrol operated by New York Board were presumed lost when a six-story paper and twine factory on Wooster street in lower Manhattan collapsed during a five-alarm fire.

The four, Michael Tracy of Woodside, N. Y., and James Devine, Louis Brusati, and Michael McGee, all of Brooklyn, were on duty covering stock with tarpaulins on the third floor of the building when all but the front wall caved in, burying them in the ruins. The fire was on the fifth floor.

Hunter Retires At Ariz. Adjustment

After 32 years in the adjustment field, B. F. Hunter, general manager and co-owner of Arizona Adjustment Agency, is retiring. He established the agency in 1929 and has seen it grow from a one-man office to a statewide organization. He will continue in an advisory capacity.

Samuel H. May of San Francisco, is joining Arizona Adjustment as an assistant manager in Phoenix. He has been with London & Lancashire group in San Francisco for five years as liability and bond claim supervisor for 11 western states. For two years, Mr May was claims attorney for the National Surety in San Francisco in charge of fidelity and surety. He will share the managerial duties in Phoenix with W. H. Windes, who has been with Arizona Adjustment for 10 years.

Heads Four Offices

This month, F. L. Hunter, a copartner in Arizona Adjustment, became general manager of the four offices of the organization with headquarters in Phoenix. Mr. Hunter has been with the agency for 21 years. W. E. Bauman Jr., a co-partner also, manages the Tucson office and southern Arizona operations, Roy C. Wacker manages the Flagstaff office, and J. C. Norris manages at Yuma. Arthur Pabst is full time resident adjuster for the agency at Prescott, Ariz.

Reynolds Metals Co. Has $1 Million Blast

A furnace explosion last week at the Reynolds Metals Co. plant in McCook, Ill., a Chicago suburb, was responsible for a $1 million loss, insurance and property-wise, and killed five men and injured 30. The cause of the explosion is not known.

There was adequate cover for both property damage and business interruption. The deaths and injuries will be handled under workmen's compensation.

The furnace house, where the explosion occurred, is the center of the plant's aluminum melting operations where the metal is poured into ingots. The plant employs about 2,600 men, but only 85 were in the furnace house when the explosion took place. The blast brought down bricks and light fixtures on the workmen, causing many injuries, and thousands of windows were shattered, injuring many by flying glass.

Economics Society Executive Unit Meets At Chicago

The executive committee of Insurance Economics Society met in Chicago this month, the principal order of business being a report on the legislative picture in the field of compulsory sickness insurance by E. H. O'Connor, managing director.

Other items of business included the report on finances by C. C. Cox of North American Accident, acting for the treasurer, R. D. Wisely.

Mr. O'Connor called attention in his report to introduction of the usual compulsory cash sickness bills in Massachusetts for the 10th successive year, and commented on a bill in the Michigan legislature. In the Congress, he said, more than 300 bills are proposing amendments to the social security act have been introduced.

One of the guests was C. O. Pauley, retired managing director of H&A Underwriters Conference and the first president of the society when it was reactivated in 1942.

Edmund Leonard Joins Cal. Self-Insurers Assn.

Edmund D. Leonard, who has been senior partner in the law firm of Leonard, Hanna & Brophy, specializing in workmen's compensation law, has been appointed attorney and secretary-treasurer of California Self-Insurers Assn. He succeeds the late Stanley Burke who was with the association 44 years.

The self-insurers group intends to expand its activities and has a program of meetings set up throughout the state. The association is moving into new quarters at 114 Sansome street, San Francisco.

Ia., N. M. Collision Changes Are Percents, Not Dollars

In the Feb. 14 issue the story dealing with automobile rate changes incorrectly stated that $50 deductible collision premiums went up $5 to $13 in Iowa. The premiums increased 5% to 13% in that state. In New Mexico, the $100 deductible premium decreased 5%, and not $5, as stated in the story.

Frank V. Coffee, Standard Accident's Florida claim manager, spoke recently at a luncheon meeting of Casualty & Surety Assn. of Florida on "Necessary Aids in Claims Adjusting."

Minority Stockholder Seeks To Block Sale Of Northwestern F.&M.

MINNEAPOLIS—Stockholders of Northwestern F.&M. at a meeting this week will determine future control of the company. Hartford Fire is offering to buy the insurer for $36 a share. It now owns 15.8% of the company.

Arnold J. Ryden, a miniority stockholder, is leading opposition to the sale. He says $37 is bid over the counter for Northwestern F.&M. stock and that most stockholders are asking $40. He said the stock is worth $54 based on conventional estimates in insurance. In a letter to stockholders, Mr. Ryden says Hartford Fire is trying to get enough proxies to control the annual meeting without offering an annual report or a future program and without mentioning dividends.

Illinois Field Men Hold Peoria Meetings

Peoria was the scene of a recent triple-header rally of Illinois insurance groups: Illinois Fire Underwriters Assn. and Illinois pond of Blue Goose semi-annual conclaves, and the annual for Illinois Fire Prevention Assn.

At the fire preventionists' meeting James D. Streich of St. Paul F.&M. was elected president to succeed Charles E. G. Miller of Scottish Union both of Chicago. Other officers named were Wilford P. Penny, New York Underwriters, St. Louis, executive vice-president, and Basil Jones, Ottawa, Ill., vice-president.

Miss Amalia Miller of Underwriters Laboratories was the speaker and also showed a completely new movie on the laboratories' testing methods, including TV, "Album of Public Safety." Two other films, Walt Disney's "I'm No Fool With Fire" and the "You Were There" production depicting the Chicago Fire were also shown, courtesy of Cook County Audit Bureau.

Describes FIA Operations

Illinois Fire Underwriters Assn. speaker was Sigmund E. Kaye of Factory Insurance Association at Chicago, who told the field men something of the workings of FIA, how risks are selected and premiums figured.

James W. Hamilton of the Boston resigned as 1st vice-president, since he is being transferred to Detroit. L. W. Berg Jr. of Aetna Casualty moved up from 2nd to 1st vice-president, and George E. Mangan of the Pearl was appointed acting 2nd vice-president. This is a pro tem arrangement until the annual meeting in June. Also being voted upon at that meeting will be the proposed amendment to the association's constitution to change its name to Illinois Capital Stock Insurance Assn. The amendment was read at the Peoria meeting. Twelve new members were voted in.

Illinois Blue Goose initiated 15 and served 91 at dinner the evening preceeding the other two meetings.

Illinois Fire Underwriters Assn and Illinois Blue Goose will hold their annual meetings at the "Wagon Wheel" in Rockton, Ill., June 4-5.

Emil Schram, chairman of Butler Bros., Chicago, and vice-chairman of United Services Organizations, has been elected a director of Home. Mr. Schram was president of the New York Stock Exchange 1941 to 1951, and is presently a consultant to the exchange. He resides in Peru, Ind.

North America Wins Partial Subscriber Test In Arizona

Arizona supreme court has handed down a decision favorable to North America in its battle against rules limiting the right of partial subscribership to Pacific Fire Rating Bureau. The court upheld an earlier decision of superior court of Maricopa county which had overruled action of the insurance department in implementing the partial subscribership rule.

The decision gave much attention to the fact that rating laws in Arizona contain this provision:

"A. Subject to rules and regulations which have been approved by the director as reasonable, each rating organization shall permit any insurer, not a member, to be a subscriber to its rating services for any kind of vehicle, casualty and surety insurance or subdivision thereof, or for any kind of property and marine insurance or subdivision or class of risk or part or combination thereof, for which it is authorized to act as a rating organization. Notice of proposed changes in the rules and regulations shall be given to subscribers."

Turning its attention to the partial subscribership rule of PFRB, the court observes:

"The rule then states that partial subscribership will be allowed in a limited specialty field. Admittedly this limited specialty field would not include any of that area for which North America seeks partial subscribership. It also appears it is so limited as to be practically exclusive of partial subscribership as to the types of insurance written by appellees."

Explains Purpose

Commenting on the purpose of bureau membership and procedures for deviation and partial subscribership generally, the court had this to say:

"Rate making bureaus are allowed to operate, contrary to the policy of forbidding combinations to establish rates, for the sole purpose of accomplishing the above. The primary purpose of allowing such combinations for rate making is to insure solvency on behalf of insurance companies. The necessary structure to establish rates, due to the contingencies upon which payment of insurance rates, is very extensive and it is conceded that no insurer could afford to totally withdraw from rating bureaus. On the other hand partial subscribership and deviation . . . are provided so that competitive rates may insure to the benefit of the public. When you subscribe to PFRB, or any other rating bureau, you must adhere to the rates filed on your behalf unless you can comply with the deviation procedure provided by statute. This is a cumbersome process that must be repeated each year. We cannot agree with appellants that these deviation requirements, plus the minority appeals section . . . were set up to prevent unlimited partial subscribership."

The Arizona case represents the first full test of the partial subscribership rule of PFRB. The Utah department held a hearing on the same subject, but the matter has not been pressed pending the outcome of the Arizona case. Similarly, in Nevada, the commissioner had ruled against the partial subscribership rule and an appeal from his action to the courts has been allowed to remain dormant until the Arizona action was completed.

Says Inadequate Cover Harms Insured And Agent

(CONTINUED FROM PAGE 22)

with youthful drivers in nearby states, and at least one company has already taken the same step in Massachusetts. In the fire field, some companies will not write business for longer than three-year term. Still others have tried to cut off unprofitable small policies, by refusing to write less than $5,000 on a building, or $2,500 on contents, for example.

It should go without saying that business which is unprofitable to an insurance company is likewise unprofitable to its agents. Agents have as great an interest in keeping business profitable as the companies do. In fact, a cost study would probably show that the agent loses more on unprofitable small fire policies than the company does.

Nevertheless, there are many otherwise well-run local agencies which even today are mailing out new and renewal policies for ridiculously small amounts. In some communities, household contents insurance for a young couple is still automatically written for "a thousand" or for "fifteen hundred." Why, the young people probably owe more than that on the furniture and appliances. What is worse, those minimum premium policies go on being renewed indefinitely.

Even worse, some agencies are still writing two, three, or even five separate fire policies on a home, in different companies. There may have been some excuse for cutting a $15,000 risk into three slices when a company wouldn't take any more than $5,000. There was some point, too, in staggering expirations to provide annual payments with term discounts. There is no such excuse now, with the installment plan and the willingness of companies to write larger lines.

It is more than willingness on the companies' part. It is virtually a necessity. A contents fire policy barely exceeding the $7.50 minimum premium is a losing proposition to the company and to the agency even if insured never has a claim. Splitting the $15,000 risk into three means that instead of one company having a chance to make a profit, three companies will be lucky to break even. And the agent who wrote the three policies has tripled his work and dissipated his profit in needless overhead.

In emphasizing agency and company expense we have not forgotten the agent's primary responsibility to his clients to sell them all the insurance they really need. In event of loss, the client has the most to lose from inadequate insurance, but there is a chance that he may escape loss. For the agent and company, however, the loss from inadequate insurance is a sure thing.

Sanborn Map Co. In Two New York Moves

The executive offices of Sanborn Map Co. are moving from 10 Cedar street in New York City to 629 Fifth street, Pelham, N. Y., March 3. C. P. Herbell, president of the 92-year-old firm, points out that the move is designed to increase efficiency of operation.

The Pelham location has been the site of Sanborn's publishing plant for many decades. Due to the constant relationship of the executive staff to publishing activities, such a move has become increasingly obvious in recent years, according to Mr. Herbell.

To provide availability to downtown New York customers, the company simultaneously is opening a sales and service office in National Board's building at 85 John street.

The company maintains a detailed, up-to-date map service encompassing virtually every city and town in the country of 2,000 or more population. While its principal customers are fire insurers because of the essential underwriting facts its maps furnish, there is a growing demand for its service from city and regional planners as well as expanding business and industrial concerns.

Traders & General Had Improvement In 1957

President Roy A. Langston of Traders & General reported at the annual stockholders meeting that the company had a "considerable improvement" in operations. Premiums exceeded $7.6 million, assets $7.8 million and surplus to policyholders $2.1 million. Significant results were achieved in reducing loss and expense ratios as compared with the previous year, he said.

The promotions were announced of L. Erston Smith and P. R. Reid from vice-presidents to senior vice-presidents; V. R. Woodard from secretary-treasurer to vice-president and secretary, and G. T. Christopher from assistant secretary-treasurer to treasurer and assistant secretary.

BI Award By Federal Judge Runs $521,157

Federal Judge Simpson in Jacksonville has ordered the federal government to pay damages of $521,157 for the deaths of two persons and the serious injury of a third in an accident involving a government-owned truck and trailer and a private passenger automobile.

Judge Simpson, hearing the case without a jury, ruled the government liable and allocated the award to two widows and the injured man—Mrs. Mary Ann Robinson, $217,687; Mrs. Gladys Solano, $77,172, and Maurice I. Burrell, $226,297. All are of Hastings, Fla.

Judge Simpson also ruled that the Miami law firm of Nichols, Gaither, Green, Frates & Beckham, which represented the plaintiffs, is entitled to receive 20% of the total award as its fee.

Interstate Names Fisher; G. F. Brown Makes Changes

Ward Fisher has been named claim department manager for Interstate Fire & Casualty at Chicago. With the company since 1954, Mr. Fisher received his law degree from University of Chicago and practiced with a Chicago law firm before joining Interstate.

Geo. F. Brown & Sons, managers for the company, have made a number of other changes at Chicago. Norman Bishop has been appointed a field representative for the agency in the metropolitan Chicago area, and Harry Degner, previously with Continental Casualty, has joined the liability department. Mr. Bishop was formerly with Johnson & Higgins for more than five years and before that Ins. Co. of North America.

Also, the agency has taken over the space of three more offices in the Insurance Exchange building. With addition of the new quarters, Geo. F. Brown now occupies about 40% of the entire third floor of the block-square building.

Stott Elected Chairman

John C. Stott of Norwich, past president of National Assn. of Insurance Agents and of New York state association has been elected chairman of Excelsior, succeeding Harry L. Godshall of Atlantic City, past president of the New Jersey association, who continues as chairman of Excelsior's executive committee. Ernest R. Randall of Greenville, O., past president of the Ohio association, was elected a director.

Wirt Wilson & Co. Elects

Wirt Wilson & Co. agency of Minneapolis has elected the following officers:

Glenn Wyer, formerly president, as chairman; Lyle S. McKown, formerly vice-president and treasurer, president; Edwin F. Converse, formerly vice-president and secretary, secretary and treasurer. Reelected as vice-presidents were Coord Roosen, R. A. Thompson, David G. Wyer, John E. McCarthy, Miles H. McNally. Reelected assistant secretaries were William D. Baker, Clayton K. Brubaker, Richard Franzen and Stephen C. Wyer.

Set Program Of City Mutual Fire Insurers

Conference of City Mutual Fire Insurance Companies of National Assn. of Mutual Insurance Companies will hold its midyear meeting March 10-11 at the Sheraton-Park hotel in Washington, D. C.

There will be four sessions of the conference. Walter L. Smith Jr., secretary-treasurer of Philadelphia Contributorship; L. D. Engelbrecht, secretary of Mutual of Frederick County (Md.), and Edwin H. Coggeshall, secretary of Perkiomen Mutual, will preside as chairmen.

Speakers at the conference and their subjects will be Robert I. Bushnell, management consultant, who will discuss when and how to use the consultant to solve problems brought about by changing conditions, and the elements of a sound employe and executive development program; John Alsop, president of Mutual of Hartford, key factors in the growth of mutual insurers and basic steps in planning growth; and J. Ira Laird, president of Laird-Hagee Co. general agency, Harrisburg, Pa., the managing general agent in the mutual field.

Alexander Mackerell, a partner in Booth, Potter, Seal & Co., Philadelphia, will speak on reinsurance as a basic tool of management and its use in producing a relatively stable loss experience and developing new lines of business; Robert H. Witters, secretary-treasurer of Lebanon Mutual, on the factors to be considered in concluding to enter multiple line writing; and Francis E. Powers, claim supervisor of Pennsylvania Threshermans & Farmers Mutual, the organization of a catastrophe loss program.

Discusses Inspection Program

The fundamentals of a sound inspection program will be discussed by W. R. Walters, manager of Mutual Inspection Bureau; insurance markets by William Alrich of the *Spectator* and trends and problems in the distribution of property liability insurance by Dr. John S. Bickley, professor of insurance at Ohio State University.

The impact of inflation on insurance will be discussed by Harold J. Ginsburgh, senior vice-president of American Mutual Liability; rate relief and legislation by Thomas J. Finley Jr., executive vice-president of Pennsylvania Federation of Mutual Insurance Companies; and the long term outlook for investments by Paul F. Miller Jr., a partner in Drexel & Co., Philadelphia.

The guest speaker at the luncheon March 11 will be Thomas D. Conrad, assistant vice-president of Bell Telephone Co. of Pennsylvania.

William F. Black, former regional chief underwriter in the New England division of Liberty Mutual, has joined the Boston general agency of Fairfield & Ellis. He will be engaged in special risk underwriting. He entered insurance as an automobile underwriter. He was with Liberty Mutual 10 years.